INVESTOR RELATIONS OFFICE

# Think Growth.
# Think Philippines.

## Q1 2019 ISSUE

**Render of the Clark International Airport**
*Source: Bases Conversion and Development Authority*

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# Quick Stats

| INDICATOR | COMPARATIVE | LATEST (AS OF PRESS TIME) |
|---|---|---|
| Credit Ratings<br>Fitch Ratings<br>Moody's Investors Service<br>Standard & Poor's<br>Japan Credit Rating Agency<br>R&I Information Inc.<br>NICE Investors Service<br>RAM Ratings | As of Q1 2018:<br>BBB/Stable<br>Baa2/Stable<br>BBB/Stable<br>BBB+/Stable<br>BBB/Stable<br>BBB/Stable<br>gBBB3(pi)/Positive | As of Q1 2019:<br>BBB/Stable<br>Baa2/Stable<br>BBB/Positive<br>BBB+/Stable<br>BBB/Stable<br>BBB/Stable<br>gBBB2(pi)/Stable |
| Real Gross Domestic Product Growth (year-on-year, %) | FY 2017:<br>6.7 | FY2018:<br>6.2 |
| Per-capita GDP, (current prices, USD) | FY 2017:<br>2,989 | FY2018:<br>3,104 |
| PPP concept (at current prices, USD) | FY 2017:<br>8,360 | FY 2018:<br>8,889 |
| Unemployment Rate (%) | January 2018:<br>5.3 | January 2019:<br>5.2 p/ |
| Population (mn) | 2017:<br>104.9 | 2018:<br>106.6 |
| Balance of Payments (USD, mn) | January - February 2018:<br>-961 | January - February 2019:<br>3,170 |
| Current Account (USD, mn) | 2017:<br>-2,143 | 2018:<br>-7,879 p/ |
| (as % of GDP) | 2017:<br>-0.7 | 2018:<br>-2.4 p/ |
| Exports (USD bn) | FY 2017:<br>68.7 | FY 2018:<br>67.5 |
| (year-on-year growth, %) | FY 2017:<br>19.7 | FY 2018:<br>-1.8 |
| Imports (USD bn) | FY 2017:<br>96.1 | FY 2018:<br>108.9 |
| (year-on-year growth, %) | FY 2017:<br>14.2 | FY 2018:<br>13.3 |
| Cash Remittances (USD, mn) | FY 2017:<br>28,060 | FY 2018:<br>28,943 |
| Gross International Reserves (USD, mn) | end-February 2018:<br>80,432 | end-February 2019:<br>82,781 |
| (months' worth of imports) | end-February 2018:<br>7.6 | end-February 2018:<br>7.3 |
| External Debt (as % of GDP) | 2017:<br>23.3 | 2018:<br>23.9 |
| Inflation Rate (%) (2012=100) | February 2018:<br>3.8 | February 2019:<br>3.8 |

# Quick Stats (Continued)

| INDICATOR | COMPARATIVE | LATEST (AS OF PRESS TIME) |
|---|---|---|
| National Government Balance/GDP (%) | FY 2017: -2.2 | FY 2018: -3.2 |
| National Government Revenue/GDP (%) | FY 2017: 15.6 | FY 2018: 16.4 |
| Interest Payments/Revenue (%) | FY 2017: 12.6 | FY 2018: 12.3 |
| General Government Debt/GDP (%) | End-2017: 36.6 | End-September 2018: 36.3 |
| National Government Debt/GDP (%) | End-2017: 42.1 | End-2018: 41.9 |
| PHP Close per USD (on last trading day) | March 15, 2018: 51.95 | March 15, 2019: 52.62 |
| Average Bank Lending Rate (%) | January 2017: 5.73 | January 2018: 7.27 |
| BSP Rates Overnight Lending Rate (%)<br>Overnight Repurchase Rate (%)<br>Overnight Deposit Rate (%)<br>7-Day Deposit Rate (%)<br>14-Day Deposit Rate (%)<br>28-Day Deposit Rate (%)<br>*weighted averages in percent per annum* | February 2018:<br>3.000<br>2.500<br>2.838<br>3.006<br>3.044 | February 2019:<br>4.750<br>4.250<br>5.131<br>5.173<br>5.187 |
| 91-Day T-bill Rate (%)<br>*weighted averages in percent per annum* | February 2018: 2.67 | February 2019: 5.58 |
| PSEi Close (on last trading day) | March 15, 2018: 8,190.01 | March 15, 2019: 7,798.28 |
| ROP 10-year Bond Spread over US Treasuries (bps) | March 15, 2018: 94.0 | March 15, 2019: 104.5 |
| ROP 5-year Bond Spread over US Treasuries (bps) | March 15, 2018: 74.38 | March 15, 2019: 84.4 |
| ROP 10-year CDS Spread (bps) (last price for the period) | March 15, 2018: 114.16 | March 15, 2019: 103.74 |
| ROP 5-year CDS Spread (bps) (last price for the period) | March 15, 2018: 64.69 | March 15, 2019: 58.12 |

*Sources: PSA, BSP, BTr, Bloomberg, Various Credit Rating Agencies*

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# Philippines to become upper middle-income economy this year

*By Michelle V. Remo*

AS EARLY AS THIS YEAR, the Philippines is anticipated to graduate from being a "lower middle-income" to an "upper middle-income" economy. This follows successive years of purposeful reforms and robust economic growth despite external headwinds.

Should it hit upper middle-income status this year, the Philippines will be three years ahead of the 2022 target schedule.

According to the World Bank, an upper middle income economy is one that has per-capita gross national income (GNI) ranging from $3,956 to $12,235.

In 2018, the country's GDP growth of 6.2% was among the fastest in the region. Per-capita GNI was estimated at $3,732. Given this, Socioeconomic Planning Secretary Ernesto Pernia said the country's graduation to the next category – the next level of income – is expected this year.

"The Philippines has come a long way from being a regional laggard that suffered from boom-and-bust cycles to one that is resilient to challenges and able to consistently post robust economic growth. As such, we are poised to hit upper middle-income status this year, or certainly next year," Secretary Pernia said. He added that, "More importantly, the Duterte administration is keen on making economic growth more inclusive so that ordinary Filipinos actually feel the benefits of progress."

The Philippines has posted economic growth of above six percent for the past 15 consecutive

**Ernesto M. Pernia**
*Socioeconomic Planning Secretary*

quarters. It boasts of 20 consecutive years of positive economic growth, greatly evidencing its resiliency to global economic challenges.

Moreover, the administration's efforts to accelerate poverty reduction and achieve a more inclusive economic growth are accompanied by rising investments in education and health.

The Philippines has one of the youngest populations in the world. It is fully maximizing its demographic dividends as the education

sector remains the top recipient of the budget. In August 2017, President Rodrigo Duterte signed a law granting free tuition in state-owned colleges and universities (Republic Act No. 10931).

Also, on February 20, 2019, President Duterte signed the Universal Healthcare Act (Republic Act No. 11223) granting all Filipinos access to free healthcare services.

Furthermore, the government increased the budget for the Conditional Cash Transfer (CCT) program. Under the program, some of the poorest families receive monthly cash subsidies conditioned upon the recipient households' sending of their children to school, and regular visitation of children and their mothers to health centers.

All the government's investments in health and education are expected to significantly accelerate human capital development in the country.

**President Rodrigo Duterte leads distribution of Conditional Cash Transfers (CCT) to beneficiaries in Cebu City**
*Source: Presidential Communications Operations Office (PCOO)*



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# Inflation seen to revert to target range in 2019

## Combination of monetary, non-monetary measures tempers price pressures

AFTER BEING elevated for the most part of 2018 due to a host of supply-side factors, inflation has started to slow down. The annual average is projected to revert to within-target range beginning this year.

This development follows the prompt implementation of government initiatives that squarely addressed bottlenecks to food supply. Leading the string of bold initiatives by the national government was the signing into law of the Rice Tariffication Act (Republic Act No. 11203). The law finally removed the long-standing quantitative restriction on rice imports in favor of tariffs. Rice is a staple for Filipinos. The law, signed on February 14, 2019, is estimated to reduce the price of rice by P7 per kilogram.

Another measure was Administrative Order No. 13, which removed non-tariff barriers and streamlined the administrative procedures on the importation of agricultural products.

**Diwa C. Guinigundo**
*Bangko Sentral ng Pilipinas Deputy Governor*

**President Rodrigo Duterte reviews documents for signature during a cabinet meeting**
*Source: Philippine News Agency (PNA)*

Other supplement measures were likewise implemented. Among others, these included the issuance of certificates that allowed distribution of imported fish to wet markets; observance of a mechanism that allowed direct selling of chicken to consumers in public markets; and prioritization of food items in the release of shipments from ports.

These non-monetary measures were complemented by equally decisive monetary actions by the Bangko Sentral ng Pilipinas (BSP). In particular, the monetary authority raised key policy rates by a total of 175 basis points from May to November 2018.

The monetary actions by the BSP helped contain potential second round effects, and better anchored inflation expectations.



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Deputy Governor Diwa C. Guinigundo, who heads the BSP Monetary and Economics Sector, said the combination of non-monetary measures by the national government and the monetary measures by the BSP proved effective in helping temper inflation so that it moves back to target range starting this year. He said the BSP reiterates its firm commitment to price stability, which provides an enabling environment for a robust, sustainable, and more inclusive economic growth.

The official inflation target is set at 2.0 to 4.0 percent for 2018 and 2019 .

Following its peak of 6.7 percent in September and October last year, inflation had consistently decelerated to hit 3.8 percent in February, a 12-month low.

Based on estimates by the BSP done in February this year, inflation will average at 3.1 percent in 2019 and 3.0 percent in 2020, reflecting a stark slowdown from 5.2 percent last year.

The BSP's favorable projection that the annual average for inflation will move back to within-target range starting this year is shared by observers from the private sector.

*Source: Department of Trade and Industry (DTI)*

In a commentary issued February 5, 2019, HSBC economist Noelan Arbis said inflation may average at 3.3 percent this year. "Sequential rise in prices has normalized in all CPI (consumer price index) components—a sign that inflation could be returning back to target in the next two months," he said.

In a market report released February 4, 2019, Philippine National Bank's Jun Trinidad said consumption is seen to accelerate this year amid a more favorable inflation environment: "We expect discretionary expenditures to lead consumption recovery as inflation ebbs this year."

Nalin Chutchotitham of Citi Research, in a commentary released February 5, 2019, forecasts inflation to average 3.2 percent this year. She added that an improved inflation reading will provide flexibility to the BSP to ease monetary stance if ever there will be a need for such.

Meanwhile, the BSP announced that the inflation target for 2021 and 2022 has likewise been set at 2.0 to 4.0 percent.

"[The inflation target] continues to be an appropriate quantitative representation of the medium-term goal of price stability that is optimal for the Philippines given the current structure of the economy and outlook of macroeconomic conditions over the next few years. Improved productive capacity of the economy, fueled by higher infrastructure investments by the National Government, supports achieving robust economic growth amid a low and stable inflation environment," the BSP said in a statement issued last February 28, 2019.

***By Michelle V. Remo***

# Philippines boosts infrastructure spending while keeping fiscal house in order

*By Michelle V. Remo*

**The Cebu Bus Rapid Transit (BRT), a part of DOTr's Integrated Intermodal Transport System (IITS) project in Metro Cebu.**
*Source: http://build.gov.ph*

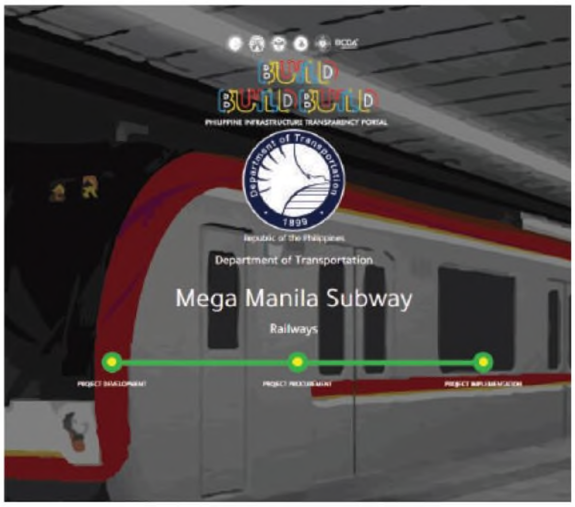
IN 2018, the Philippine government reported a spike in infrastructure spending while keeping the budget deficit within manageable levels.

The government's policy agenda is to usher in the country's "Golden Age of Infrastructure" through the "Build, Build, Build" program. This is balanced with the goal of maintaining a healthy credit profile marked by credit ratings within investment-grade scale.

Data from the Department of Budget and Management (DBM) shows that spending on capital outlays grew by about 50% to P728.1 billion in January to November 2018 from P486.5 billion in the same period of the previous year. Such is consistent with the Duterte administration's medium-term program of massive increases in infrastructure spending.

The government's infrastructure development agenda aims to decongest major cities, improve inter-island connectivity, enhance the country's connectivity to the world (through more airports and seaports), and attract even more job-generating investments.

Under the "Build, Build, Build" program, the Duterte administration targets to spend about $170 billion up to 2022 on various infrastructure projects that builds the country's productive capacity and resilience from climate change, as well as disaster risks, i.e. mass transit systems, inter-island connector roads, airports and seaports, major




**The 25-kilometer Mega Manila Subway is the country's first underground mass transportation.**
*Source: http://build.gov.ph*


**The Central Luzon Link Expressway (CLLex) will provide fast safe, comfortable and reliable means of transportation from Metro Manila to various destinations in the Central Luzon (DPWH project)**

roads, flood control projects, and irrigation projects.

At the same time, the government is keeping its fiscal house in order.

The budget deficit amounted to P558.3 billion in 2018, equivalent to 3.2 percent of the country's gross domestic product (GDP). This 3.2-percent deficit-to-GDP ratio is considered manageable by international standards.

The fiscal program for the rest of the term of President Duterte is set at 3.2 percent for this year, and 3.0 percent for 2020 up to 2022.

Supporting higher government spending are legislative and administrative tax reforms. Package 1 of the government's Comprehensive Tax Reform Program (CTRP), in effect in January 2018, has boosted tax revenue collection.

Package 1 slashed personal income tax rates on one hand, and raised excise tax on oil and automobiles, and imposed an excise tax on sugary drinks, on the other. This legislative reform led to higher government revenues on a net basis.

The executive branch is pushing for the passage of additional tax reform packages, revenues from which will help fund the government's infrastructure program.

Finance Secretary Carlos Dominguez III said the Duterte administration intends to continue observing fiscal discipline even as it meets the need for higher spending on infrastructure and social services.

In an earlier statement, Secretary Dominguez noted that the Duterte administration's economic development strategy is "to sustain high growth, accelerate poverty reduction, and achieve financial inclusion by way of unmatched investments in infrastructure modernization and human capital development without losing its grip on fiscal discipline."

# Philippines enjoys surge in approved foreign investments

## Confidence in businesses cited over long term

*Source: Freeport Area of Bataan*

THE PHILIPPINES enjoyed a surge in foreign investment applications in 2018, reflecting business optimism for the long term as the economy is poised to maintain solid growth.

Foreign investment applications submitted to and approved by the seven investment promotion agencies (IPAs) of government amounted to P179 billion in 2018.

This registers a 69.3-percent increase from the previous year's figure, according to the Philippine Statistics Authority (PSA) in a report released on February 28, 2019.

A breakdown of the approved foreign investments based on the IPAs concerned is shown in the table below;

| | |
|---|---|
| Board of Investments | P103.97 billion |
| Philippine Economic Zone Authority | P68.32 billion |
| Clark Development Corporation | P2.77 billion |
| Authority of the Freeport Area of Bataan | P1.67 billion |
| Cagayan Economic Zone Authority | P1.2 billion |
| Subic Bay Metropolitan Authority | P803.9 million |
| BOI-Autonomous Region of Muslim Mindanao | P235.1 million |



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The increase in approved foreign investment applications is a welcome development and reflects the commitment of foreign entities to do business in the Philippines for the long haul.

It also serves as a good indicator of job creation and positive overall economic activity in the years ahead.

**Ceferino Rodolfo**
*Department of Trade and Industry (DTI), Board of Investments Undersecretary*

In a meeting held on February 27, 2019 with a group of Japanese financial executives arranged by the Investor Relations Office (IRO) of the Bangko Sentral ng Pilipinas (BSP), Trade and Industry Undersecretary Ceferino Rodolfo said that the Philippines is attracting more foreign investors partly because of initiatives towards improving trade relations. He said favorable trade ties with huge markets allow businesses operating in the Philippines to sell their products to such markets.

Rodolfo cited the Philippines' GSP+ status (generalized scheme of preferences) with the European Union under which the Philippines is able to export goods covered by over 6,000 tariff lines duty-free.

Rodolfo also said that the Philippines and the United States are now in a more advanced stage of talks on having a free trade agreement (FTA). He said an FTA with the United States is exciting for businesses, and is expected to attract more foreign investments to do business in the Philippines.

He also added that the Philippines is considered as an alternative investment destination by companies operating in China and exporting to the United States in light of ongoing trade tension between the U.S. and China.

"We (Board of Investments) are seeing an increased interest among foreign investors, who see the benefits of doing business in the country," Rodolfo said during the meeting with the Japanese executives.

The Japanese financial executives visited the Philippines to learn more about economic developments while also expressing interest in Philippine government-issued bonds.

The Philippine economy, measured in terms of gross domestic product (GDP), grew by 6.2 percent in 2018. While this was slower than the 6.7 percent recorded the previous year, the Philippines is still among the fastest growing economies in Asia and among emerging markets.

Rising investments contribute to the favorable economic outlook and in the years ahead. The Philippines is widely anticipated to remain among the fastest growing economies in the region and among peers.

The government has officially set its growth target for the medium term at 7.0 to 8.0 percent.

***By Michelle V. Remo***

*Source: Subic Bay Metropolitan Authority (SBMA)*

# President Duterte signs law further strengthening Bangko Sentral ng Pilipinas

## Charter amendments enhance effectiveness of monetary policy, financial supervision

*By Michelle V. Remo*


**President Rodrigo Duterte (fourth from left) presents to Senate President Pro-Tempore Ralph Recto and Bangko Sentral ng Pilipinas (BSP) Deputy Governor Maria Almasara Cyd Tuaño-Amador (fifth and sixth from left) the newly signed Republic Act No. 11211, which amends the previous charter of the BSP.**
*Source: Bangko Sentral ng Pilipinas (BSP)*

PRESIDENT DUTERTE signed a law amending the charter of the Philippine Central Bank – the Bangko Sentral ng Pilipinas (BSP). This is a landmark development that further enhances the effectiveness of the BSP in the performance of its three-fold mandate of price stability, financial and banking stability, and efficiency of the payments and settlements system.

Republic Act No. 11211 (An Act Amending Republic Act No. 7653) was signed last February 14, 2019, following about two decades of languishing in Congress.

The new law adds to the long list of game-changing reforms that took effect in less than three years of President Duterte's leadership.

"The new BSP charter embodies a package of reforms that will further align its operations with global best practices, improve BSP's corporate viability, and enhance its capacity for crafting proactive policies amid rising interlinkages in the financial markets and the broader economy," the BSP said in a statement issued on February 16, 2019.


**Republic of the Philippines**
**President Rodrigo Duterte**
*Source: PCOO*

Among the highlights of the law is the authority granted to the BSP to issue its own debt instruments, thereby enhancing its ability to manage liquidity in the economy and maintain relatively stable inflation.

The law likewise raised the BSP's capitalization from P50 billion to P200 billion, with the incremental amount to be sourced from the BSP's dividends to the national government.

Another highlight is the expanded regulatory coverage of the BSP to include money service businesses, credit granting businesses, and the payment system. These are consistent with ongoing initiatives of the BSP to employ a systemic approach and promptly address threats posed by entities even outside of the banking system.

The newly amended law also provides legal protection to BSP officials in the exercise of the central bank's regulatory role. Lower courts are prohibited from issuing restraining orders against BSP regulatory decisions. These will ensure that the BSP is able to implement regulatory initiatives, including the penalizing of erring banks and/or the closure of weak ones to maintain stability in the financial system.

**President Duterte and other Philippine government officials with BSP officials**
*Source: Bangko Sentral ng Pilipinas (BSP)*

Moreover, the newly amended charter provides solid legal basis for international best practices that the BSP has already been observing for years. These include the use of the inflation targeting framework, under which price stability, rather than specific monetary aggregates, is the ultimate objective of monetary policy.

These also include the BSP's risk-based approach to financial sector supervision, under which the level of risk exposure of entities determines the amount of resources for regulatory examination allocated by the BSP and the capitalization requirement imposed on a supervised financial institution.


**Bangko Sentral ng Pilipinas**

# BRIEFER ON THE AMENDMENTS TO THE NEW CENTRAL BANK ACT

*President Rodrigo R. Duterte signed into law "Republic Act No. 11211, or An Act Amending Republic Act No. 7653, Otherwise Known as the 'New Central Bank Act', and for Other Purposes" on 14 February 2019. The BSP charter amendments are timely and attuned to the evolving market landscape. The new law bolsters the capability of the Bangko Sentral ng Pilipinas (BSP) to safeguard price stability and financial system stability.*



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## PRICE STABILITY

*Republic Act (R.A.) No. 11211 provides for an enhanced policy framework for promoting price stability, which is manifested through low and stable inflation.*

- In line with current international trends, the new law recognizes that there is a broader set of indicators, aside from monetary aggregates, that serves as a basis for the formulation of monetary policy. Under the inflation targeting framework, the BSP focuses mainly on achieving price stability, instead of targeting monetary aggregates, as the ultimate objective of monetary policy.
- R.A. No. 11211 restores the central bank's authority to issue its own debt papers as part of its regular operations. This gives the BSP greater flexibility in determining the timing and size of its monetary operations and expands its policy toolkit, particularly the availability of market-based instruments. The use of more market-based instruments enhances the transmission mechanism of monetary policy.

## FINANCIAL STABILITY

*The new law establishes a stronger prudential regulatory framework to promote a safe and sound financial system. It also explicitly identifies financial stability as a mandate of the BSP. The BSP works closely with the Department of Finance, Securities and Exchange Commission, Insurance Commission, and Philippine Deposit Insurance Corporation in the pursuit of financial stability. This focus on financial stability addresses the varied needs of financial consumers by mitigating the build-up of systemic risks while avoiding potential disruptions that can negatively impact the rest of the economy.*

- The new law widens the coverage of institutions under BSP supervision to include money service businesses, credit-granting businesses and payment system operators. This puts the BSP in a strategic position to address potential risks arising from the interlinkages within the financial system and between financial institutions and service providers across instruments and markets. This also recognizes that non-banking activities or those conducted by players outside the banking sector can pose material risk to the safety, soundness and integrity of the financial system.
- The law also authorizes the BSP to prescribe minimum risk-based capital adequacy ratios based on internationally accepted standards and practices. The amended Charter also accords the BSP authority to approve transfers or acquisition of shares of stocks worth at least 10 percent of the voting shares in banks or quasi-banks. These changes are aligned with Basel Core Principles for Effective Banking Supervision.

## Payment Systems Efficiency

*R.A. No. 11211 empowers the BSP to oversee payment and settlement systems (PSS) including critical market infrastructures that are vital components of the country's financial system.*

- This reform stems directly from the central bank's role of fostering price and financial stability. As pipelines for the flow of funds, PSS are critical transmission channels for monetary policy and in mitigating systemic disruptions, ensuring the smooth flow of financial transactions and maintaining public confidence in the financial system. Placing PSS under BSP supervision provides a holistic view for setting standards and for defining the operating environment in the financial system.
- Together with Republic Act No. 11127 or the "The National Payment Systems Act" which espouses the safety, efficiency and reliability of domestic financial transactions, the amended BSP charter provides the central bank with an enhanced legal and regulatory framework in providing a steadying hand to the financial system. The development of a safe and efficient national payment system that is crucial to price stability, financial stability and economic growth is a paramount objective of the BSP.

### Data Access

- The amended BSP Charter restores the central bank's authority to obtain data from any person or entity from the private and public sectors for statistical and policy development purposes in line with the pursuit of its mandates.
- The law provides for this reform because the conduct of monetary policy as well as the pursuit of the BSP's financial stability mandate have become more information intensive over the years. The ability of the BSP to craft appropriate and timely policies to address potential risks and challenges to the economy is dependent on information that is relevant, reliable, timely and comprehensive.

### Enhancement of Institutional Capacity and Corporate Viability

- The law authorizes the increase in the capitalization of the BSP from PhP 50 billion to PhP 200 billion, which shall be sourced from dividends declared by the BSP in favor of the National Government. Under the amended Charter, the BSP is also exempt from paying taxes on income derived from its governmental functions. These reforms place the BSP on a stronger position to pursue its mandate amid a growing economy and the increasing sophistication of the financial system.

### Alignment with Global Best Practices

- The amended BSP Charter embodies a package of reforms that will further align its operations with global best practices, improve the BSP's corporate viability, and enhance its capacity for crafting proactive policies amid rising interlinkages in the financial markets and the broader economy

### For the Benefit of Filipinos

- The BSP's enhanced capacity for promoting price and financial stability is ultimately aimed at enhancing the economic and financial well-being of Filipinos. Stable prices benefit all Filipinos by preserving their purchasing power and providing an enabling environment for stronger economic growth. A strong and stable financial system also ensures efficient fund intermediation between savers and investors and sound risk management. Moreover, a stable payments system supports financial inclusion by providing more unbanked Filipinos access to financial products and services. Financial inclusion is integral to broad-based economic growth that benefits all Filipinos.

# Tax Amnesty Act signed into law


"Today marks a new beginning in our government's efforts to improve tax administration and compliance as we welcome the passage of the tax amnesty law."

PRESIDENT RODRIGO DUTERTE

**President Rodrigo Duterte on the newly signed Tax Amnesty Law**
*Source: PCOO*

ON FEBRUARY 14, 2019, President Rodrigo R. Duterte signed the Tax Amnesty Act into law. This legislative measure is meant to raise government revenues and give select delinquent taxpayers a chance to settle their obligations on easier terms and come clean.

"Today marks a new beginning in our government's efforts to improve tax administration and compliance as we welcome the passage of the tax amnesty law," President Duterte said in a message about the law released on the same day as its signing.

"With this law, taxpayers will be given an opportunity to settle outstanding tax liabilities and start anew. Likewise, the settlement of long idle estate properties will help those affected to move forward and spur economic growth in the Philippines," the President added.

The new law offers two types of amnesties: (1) Estate Tax Amnesty and (2) Tax Amnesty on Delinquencies.

**Estate Tax Amnesty**

Under the first type, Estate Tax Amnesty, heirs of a person who died on or before December 31, 2017 may settle unpaid estate taxes at a rate of 6 percent of the total net estate at the time of death. This amnesty covers properties with or without tax assessments by the Bureau of Internal Revenue (BIR).

However, this amnesty excludes estate tax cases that have become final and executory, as well as cases handled by the Presidential Commission on Good Government, cases involving violations of Anti-Graft and Corrupt Practices Act, Anti-Money Laundering Act, malversation of public funds and other select provisions of the Revised Penal Code, and cases involving criminal offenses under the National Internal Revenue Code.

**Tax Amnesty on Delinquencies**

The second type, Tax Amnesty on Delinquencies, covers delinquencies on all internal revenue taxes (income tax, value-added tax, documentary stamp tax, capital gains tax, other percentage taxes, etc.) for which cases have already been made.




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**Carlos G. Dominguez**
*Finance Secretary*

This also covers delinquencies of withholding tax agents that have failed to remit the withheld taxes to the BIR.

The following are the amnesty rates under the second type:

| | |
|---|---|
| Delinquencies and assessments that have become final and executory | 40 percent of basic tax assessed |
| Tax cases subject of final and executory judgment by the courts | 50 percent |
| Pending criminal cases filed with the Department of Justice or tax courts | 60 percent |
| Withholding agents who failed to remit to the BIR | 100 percent |

Qualified tax amnesty applicants will have the privilege of having their tax issues settled and without having to face charges related to the delinquencies.

**President Vetoes General Tax Amnesty**

Meantime, the President vetoed provisions in the Tax Amnesty Act that would have offered a third type of Amnesty: the "General Tax Amnesty."

Under the supposed General Tax Amnesty, all individual and corporate taxpayers with unpaid tax obligations—both those whose delinquencies have already been assessed by the BIR and those that have not yet been assessed—may avail themselves of the tax amnesty at various generous rate options.

The President said the proposed General Tax Amnesty was excessively generous and could create an environment encouraging of tax evasion.

He said a general tax amnesty, ideally, is implemented only if it comes with safeguards that will help encourage tax compliance in the future. Examples of such safeguards is the lifting of bank secrecy on tax cases, a provision allowing the government to engage in exchange of information with other countries for tax purposes, and a provision against under-declaration of assets or net worth.

"I believe that, ultimately, the original objective will not be met under the proposed framework. Without the provisions breaking down the walls of bank secrecy, setting the legal framework for us to comply with international standards on exchange of information for tax purposes, and safeguarding against those who abuse the amnesty by declaring an untruthful asset or net worth, a general amnesty that is overgenerous and unregulated would create an environment ripe for future tax evasion, the very thing we wish to address," President Duterte said in his veto message.



*Source: knowyourtaxes.ph*



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# New law enhances social security in Philippines

*By Joanna Paula C. Cobarrubias*

**Emmanuel Dooc**
*Former Social Security System President and CEO*

FILIPINOS can now expect better social security protection following the enactment of Republic Act No. 11199, otherwise known as the Social Security Act of 2018.

The new law, signed on February 7, 2019, amends the 22-year old charter of the state-run pension fund manager - Social Security System (SSS).

The amended law rationalizes the powers and duties of the SSS. It also expands the investing capacity of the SSS, enabling it to generate better income for its members and pensioners.

Prior to his resignation, former SSS President and Chief Executive Officer Emmanuel Dooc hailed the development as "a huge success for the pension fund [manager]." He added that the "new law will breathe new life to SSS so that it can continue to serve its stakeholders, members, and pensioners."

To empower the pension fund manager, the amended law allows the gradual increase in monthly contributions from 11 percent until it reaches 15 percent in 2025. It also provides for the gradual adjustment of the minimum and maximum monthly salary credits.

The amended law also extends the current life of the SSS fund from 2032 to until 2045.

Another highlight is the provision of unemployment insurance to qualified individuals who may suffer from involuntary separation from work. Displaced workers are entitled to financial assistance from SSS in the form of cash, equivalent to half of their average monthly salary credit for two months, subject to qualifications.

To guarantee protection of the increasing number of overseas Filipinos, the law requires their mandatory coverage, for as long as they are not over 60 years of age.

"Filipinos who work outside the country are more prone to risks as they are engaged in unfamiliar environment while they are trying to earn for their family. Our goal here is to ensure that all OFWs will be protected under the SSS," Dooc said.

To ensure that employers of OFWs pay the required SSS contributions, the Department of Foreign Affairs (DFA) and the Department of Labor and Employment (DOLE) were directed to negotiate bilateral labor agreements with the host countries.

The law also lowered the penalty rate for late payment of contributions from the current three to two percent. Further, Malacanang's approval is no longer required for the condonation of penalties.

The implementing rules and regulations of the new law is being drafted.

# Universal healthcare signed into law

**President Rodrigo Roa Duterte signed the Universal Health Care Act and other legislative measures on February 20, 2019 at the Malacañang Palace**
*Source: PCOO*

ON FEBRUARY 20, 2019, President Rodrigo Duterte signed the Universal Health Care (UHC) law. The move, which upped the ante of the government's provision of social protection to Filipinos, was lauded by observers and described by the World Health Organization (WHO) as "excellent proof of commitment to improving access to high quality health services at the least cost to families."

The legislative reform provides Filipinos with affordable, comprehensive and quality healthcare services.

Under the new law, all Filipino citizens will automatically be enrolled in the National Health Insurance Program (NHIP). This covers contributory members and non-contributory indigents, senior citizens, and persons with disabilities. The national government will subsidize the contributions of "non-contributors."

It also mandates the Philippine Health Insurance Corporation (PhilHealth) to expand its coverage to include free medical consultations, diagnostic services, and laboratory tests.

UHC, therefore, expands the coverage from just hospitalization to a full spectrum of health services including preventive, curative, rehabilitative, and palliative care.

To provide the marginalized and disadvantaged with sufficient healthcare benefits, the measure aims to improve the doctor-to-patient ratio, upgrade hospital bed capacities and equipment, and establish more hospitals in far-flung areas.

Further, all graduates of health-related courses who are recipients of government-funded scholarship programs will be required to serve no less than three years in the public health sector.

The law renames the PhilHealth to Philippine Health Security Corporation to emphasize the

agency's role as the national purchaser of health services. The restructuring also highlights the government's commitment to provide financial security in health rather than just helping people pay for health services.

Similarly, the law calls for the creation and expansion of new functions in the Department of Health (DOH) to improve the delivery of health services.

A chunk of the budget for the UHC will come from higher tobacco excise tax revenues. Meantime, while the final bill raising sin taxes has yet to be passed, funds for public health coverage will be sourced from the charity fund of the Philippine Charity Sweepstakes Office (PCSO), income from the Philippine Amusement and Gaming Corporation (PAGCOR), premium contribution of members, annual appropriations of the Department of Health (DOH), and a government subsidy to PhilHealth.

Relevant agencies will soon be crafting the implementing rules and regulations (IRR) for the law. A Health Technology Assessment Council will also be formed to oversee the implementation of the UHC.

In a statement, WHO also commended the Philippines for "taking a step in the right direction" with the law.

*By Joanna Paula C. Cobarrubias*

PhilHealth
Your Partner in Health

**The law renames the PhilHealth to Philippine Health Security Corporation to emphasize the agency's role as the national purchaser of health services.**

# Towards a healthier economy: universal health care and sin taxes

**By Christian Dy**
*Contributor*
*Department of Finance*

**Sin Tax Reform**

Republic Act 10351, or the Sin Tax Reform Law, is one of the landmark legislations under the Aquino Administration. It is primarily a health measure with revenue implications, but more fundamentally, it is a good governance measure. The Sin Tax Law helps finance the Universal Health Care program of the government, simplified the current excise tax system on alcohol and tobacco products and fixed long standing structural weaknesses, and addresses public health issues relating to alcohol and tobacco consumption.

IN OCTOBER 2018, the World Bank launched an indicator called the "Human Capital Index," a standard of how much is invested in education and health care for young people. Notably, the Index's list of top performers is nearly identical with the list of the world's most competitive economies. The conclusion is obvious. Public health is public wealth: the fitness of a country's labor force is a factor of how much it produces, and how much of the output is spent on treatment.

The Duterte administration's integral package of health reforms – universal health care and higher sin taxes – are as much health policy as they are economic policy. An investor can tap into the Philippine labor force without worrying about whether these workers are guaranteed some form of health insurance. As it moves towards universal single-payer health care, the Philippines releases resources for expansion and innovation that would have otherwise been spent by employees and employers on expensive private health care.

Of equal importance is the move towards higher sin taxes to finance the universal health care program. Alcohol and tobacco are leading causes of preventable diseases. Without decisive action to charge consumers of alcohol and tobacco fairly for their real social and economic costs, as well as impose a high-enough rate to deter consumption among the youth, universal health care may be considerably strained by non-communicable diseases. In this sense, sin taxes are both a funding measure and a cost-saving measure for universal health care. The sustainability of universal health care depends on sin taxes.

**Features of the Universal Health Care Law**

On February 19 this year, President Duterte signed Republic Act No. 11223, or the Universal Health Care Law. Apart from enrolling every Filipino into the national health insurance program, the law promotes a public health shift towards universal access to primary care. This will improve the allocation of public health resources by ensuring that patients are referred to appropriate levels of care.

Universal health care is among the most ambitious social programs ever undertaken by the country with a considerable financing requirement commensurate in scale. While various funding sources have been streamlined to finance universal health care, the Department of Finance and the Department of Health see raising sin taxes to an appropriate level as crucial to ensuring the program's sustainability for the next ten years.

**Sin taxes**

The government has proposed raising excise taxes on cigarettes to at least 60 pesos per pack to ensure adequate revenue intake and prevent millions of young people from smoking. It is estimated that a 60-peso excise tax will also lead to as many as 3.2 million adults to quit smoking.

Significant increases in alcohol excise taxes follow calls from the medical community to address binge-drinking-related diseases. Alcohol is the 7th leading risk factor for deaths, and is the leading risk factor for deaths among people aged 15-29 years old. Unlike tobacco, which requires sustained smoking over an extended period of time before it demonstrates a clear health impact, the adverse health effects of binge-drinking can occur immediately upon excessive consumption.

Ultimately, sin taxes will not only finance the competitiveness-building and productivity-enhancing universal health care law. They will also put a cap on the impact that alcohol and tobacco consumption have on labor force productivity. Universal health care will provide workers access to treatment. In the meantime, sin taxes will ensure funding for that treatment, while curtailing the need for further treatment in the future by discouraging new consumers, especially among the youth. The twin health reforms of sin taxes and universal health care are necessary, urgent, and an inseparable combination of prevention and cure.



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# New Corporation Code spurs revitalized era of entrepreneurship in the Philippines


**President Duterte signs into law Revised Corporation Code to improve ease of doing business in the Philippines**
*Source: PCOO*

THE GOVERNMENT has leveled up the promotion of entrepreneurship in the country with the signing into law of the amendments to the 38-year old Corporation Code.

On February 20, 2019, President Rodrigo Duterte signed Republic Act No. 11232, or the new Corporation Code. The move further enhances ease of doing business in the country and makes the economy more competitive.

The amended law relaxes several procedures in setting-up businesses and removes barriers to the entry of small and large enterprises to various sectors.

The liberalized environment encourages individuals to engage in business and helps small and medium enterprises (SMEs) to thrive.

The following are the highlights of the new law:

- **One-person corporation**

  A single person or just one stockholder may form a one-person corporation (OPC) while the previous code required at least five incorporators to form a corporation.

  The provision requiring a minimum capital stock has also been lifted.

  The Securities and Exchange Commission (SEC) noted that such a move "allows more flexibility in pursuing business because the lone stockholder can make decisions without having to seek board consensus."

- **Perpetual existence of corporations**

  The amended law grants a corporation perpetual existence unless otherwise specified in its Certificate of Incorporation. Under the old code, the life of corporations was limited to 50 years, which was deemed too short.

  Another important amendment is the provision allowing corporations with expired registration papers to revive their businesses. Previously, a corporation "whose life has expired can no longer be revived even if the failure to amend the articles of incorporation to extend the corporate term was due to mere inadvertence or oversight."

  Under the amendment, stakeholders are allowed to continue with their business and rectify the mistake of not filing for a renewal, without being forced to close shop.

- **Electronic filing and monitoring system**

  Adapting to modern times, the new law allows electronic filing of reportorial requirements.

  "So far, the Commission has implemented a fully automated online company registration system for the pre-processing of corporations and partnerships, licensing of foreign corporations, amendments of the articles of incorporation and other corporate applications requiring its approval," the SEC stated.

- **Remote communication**

  With the enactment of the amended law, stockholders are now allowed to participate and vote in meetings through remote communication via conferencing and teleconferencing.

  However, it prohibits casting of votes by proxy at board meetings.

- **Other features**

  Senate Minority Leader Franklin Drilon, a proponent of the measure, emphasized in a statement that the newly amended code was designed to "strengthen corporate and governance standards and provide protection to minority stakeholders by requiring, among others, corporations vested with public interests to have independent directors."

Moreover, the new law has a provision for emergency board meetings when a vacancy in a corporation's board of directors prevents the directors from constituting a quorum and immediate action is required to prevent grave, substantial, and irreparable loss or damage to the corporation.

Senator Drilon noted that the new Code's enactment is very timely. It contributes to ongoing efforts to improve the country's competitiveness and provides an environment where doing business is easier.

"The passage into law of this measure is critical in our bid to improve the country's business climate. It paves the way to key reforms in four areas of corporate governance--improving the ease of business in the country; prioritizing corporate and stockholder protection; instilling corporate and social responsibility; and strengthening the country's policy and regulatory framework," Senator Drilon said.

***By Joanna Paula C. Cobarrubias***

# BSP further liberalizes rules on Foreign Exchange (FX) transactions

***Bangko Sentral ng Pilipinas***
*Press Release, January 10, 2019*

The Bangko Sentral ng Pilipinas (BSP) announced that the Monetary Board has approved further major liberalization reforms to the FX regulatory framework. This is aligned with the BSP's thrust to further deepen and develop a robust capital market through a more liberal policy environment, taking into consideration adherence to international practices and standards. The reforms intend to facilitate access to the banking system's FX resources for legitimate transactions, and further streamline and simplify procedures and documentary requirements for FX transactions. They will give investors greater flexibility to manage their investments and cash flows.

The BSP clarified that the liberalization thrust is pursued in a well-calibrated and well-sequenced manner. Notwithstanding the further liberalization of FX rules, the BSP maintains its ability to gather current, comparable and comprehensive data on FX transactions and adopts necessary prudential measures to address any perceived emerging concerns.

The major policy reforms include the following:

1. Further liberalized rules on inward investment and associated derivatives transactions by broadening the coverage of inward investment transactions, allowing registration of investments filed beyond the prescriptive period, expanding the definition of eligible banks that can register investments on behalf of BSP, streamlining processes and simplifying documentary requirements, and facilitating sale of FX relating to investments;

2. Further relaxed the rules on outward investments and associated derivatives transactions by expanding the coverage of outward investment transactions and lifting the prior BSP approval requirement for purchase of FX beyond the threshold amount, subject only to prior notification to the BSP;

Source: BSP Press Release

3. Allowed the submission of supporting documents through electronic means for: (a) registration of private sector foreign loans/borrowings without public sector guarantee; (b) registration of inward investments; and (c) sale of FX by banks covering various FX transactions; and

4. Provided a grace period of one (1) year from effectivity of the implementing circular to file applications for registration of investments regardless of the date of funding.

The implementing circular will take effect 15 banking days after its publication. A transitory period of six months shall take effect after the effectivity of the circular for the strict implementation of new/revised reports based on International Monetary Fund Balance of Payments and International Investment Position Manual standards.

In closing, the BSP still emphasized that banks are expected to continuously implement safe and sound practices amidst the continuing liberalization of FX rules. Further, the BSP will remain vigilant and ready to act, as necessary, in pursuit of its mandate to maintain price stability, a sound financial system, and a convertible Philippine peso to support a sustained and inclusive growth.

# BSP lauds signing of National Payment Systems Act

## New law critical to country's payment systems development agenda

***Bangko Sentral ng Pilipinas***
*Press Release, December 17, 2018*

**A payment system provides the channels through which funds are transferred among banks and other institutions to fulfill payment obligations arising from economic and financial transactions across the entire economy.**

The BANGKO SENTRAL ng Pilipinas (BSP) considers the enactment of the National Payment Systems Act as critical to the country's payment systems development agenda, as well as to the stability and efficiency of the monetary and financial system.

Republic Act No. 11127, or the National Payment Systems Act (NPSA), provides a comprehensive legal and regulatory framework, which supports the twin objectives of maintaining a payment system that is necessary to control systemic risk and providing an environment conducive to the sustainable growth of the economy.

A payment system provides the channels through which funds are transferred among banks and other institutions to fulfill payment obligations arising from economic and financial transactions across the entire economy. An efficient, secure, and reliable payment system reduces the cost of exchanging goods and services. It is an essential tool for the effective implementation of monetary policy, and the smooth functioning of money and capital markets.

"The NPSA will foster a level playing field for all participants as they will now be governed by a single overarching legal and regulatory framework. This will bring about more competition, greater efficiency, and foster digital innovations for both banking and payments products and services," former BSP Governor Nestor A. Espenilla Jr. said.

The landmark legislation, signed by President Rodrigo R. Duterte on October 30, 2018, allows the Philippines to join other countries in ASEAN and beyond in the shared goal of promoting and maintaining the secure and reliable operation of payment systems.

The NPSA mandates the BSP to oversee payment systems in the Philippines and exercise supervisory and regulatory powers for the purpose

**The late BSP Governor Nestor A. Espenilla, Jr.**
*Source: BSP Facebook page*

of ensuring the stability and effectiveness of the monetary and financial system.

Under the law, the BSP shall coordinate with other regulators and concerned government agencies to avoid gaps, inefficiencies, duplications, and inconsistencies in its regulation of other systems related to or interconnected with payment systems. This includes coordination with the Securities and Exchange Commission for an orderly discharge of payment obligations arising from securities transactions.

The NPSA authorizes the BSP to designate a new payment system if it determines that the existing payment system is posing or has the potential to pose a systemic risk, or the designation is necessary to protect the public interest.

Under the NPSA, the BSP has the power to require operators of designated payment systems to secure prior authority to determine the capability of the operator in terms of financial resources, technical expertise, and reputation.

The NPSA also authorizes the BSP to accredit or require, when deemed necessary, a payment system management body organized by participants of the designated payment system for the purpose of regulation.

All operators of payment systems as defined under the NPSA shall register with BSP in a manner and within a specific period that may be prescribed by the Monetary Board within six months from the effectivity of the law.

Under the NPSA's transitory provision, payment systems existing on the day of the effectivity of the law shall be given sufficient time, as may be determined by the BSP, to comply with the requirements of the NPSA.

The BSP will issue implementing rules and regulations and provide guidance to new entities covered under the NPSA on how to comply with the requirements of the said law. The NPSA took effect 15 days after its publication in the Official Gazette on November 15, 2018.



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# Philippine economic officials eye sugar sector liberalization

***National Economic and Development Authority***
*January 31, 2019*

THE NATIONAL ECONOMIC and Development Authority (NEDA) said that after the Rice Tariffication Bill is signed into law, the government is looking into opening up the sugar sector next.

"The sugar liberalization idea came up at the Economic Development Cluster (EDC) meeting last January 14 on rice tariffication and, in general, on keeping prices of food products low and always in check," said Socioeconomic Planning Secretary Ernesto M. Pernia.

He said that sugar tariffication was a collegial idea of the EDC, which may subsequently lead to policy decision and action.

"Sugar is very expensive in the country as supply is dominated by a select few. Intermediation costs are also high," added Pernia.

"We hope to open up the sector to freer importation, and reduce the price of sugar. It will be a tough battle, but it should be worth the try," he added.

Through Executive Order No. 24 series of 2017, the EDC is mandated to focus on the promotion of rapid, inclusive, and sustained economic growth.

The EDC is composed of the Department of Finance as Chair, the NEDA, the Department of Budget and Management, the Bangko Sentral ng Pilipinas, Department of Trade and Industry, Department of Agriculture, Department of Energy, the Cabinet Secretary, Executive Secretary, and the Presidential Management Staff, among others.

# Philippines embarks on massive airports initiative

**Additional international airports for development by DOTr (Clark International Airport)**
*Source: DOTr presentation*

THE COUNTRY'S AIR CONNECTIVITY AND TOURISM growth prospects have received a boost. More airports – both domestic and international – are being constructed, rehabilitated, and expanded with many getting approvals to accommodate night flights.

The airport development initiative is in line with the government's goal to boost trade and tourism, and consequently accelerate job creation and poverty reduction.

In less than three years, the Duterte administration through the Department of Transportation (DOTr), has already completed 18 airport projects. This includes the construction of new ones, as well as the rehabilitation and expansion/upgrade of existing ones.

**International Airport Projects**

The construction of the following international airports has been completed:

(1) The Cagayan North International Airport (also called Lal-Lo Airport) in Lalo, Cagayan;

(2) Terminal 2 of the Mactan-Cebu International Airport, (the country's second largest airline hub connecting Cebu to 23 international destinations and 33 domestic destinations); and

(3) The New Bohol Airport, the country's first green international airport.

Other projects to construct new international airports to decongest the country's major airline


**Additional international airports for development by DOTr**
*Source: DOTr presentation*



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**List of domestic airports for construction and completion**
*Source: DOTr presentation*

hubs are in the pipeline. These include construction of the Bulacan International Airport; rehabilitation/upgrade of Aklan International Airport; Iloilo International Airport; Davao International Airport; Zamboanga International Airport; expansion of General Santos International Airport; and Clark International Airport (CIA). CIA's expansion involves the construction of a new 82,600-square meter passenger terminal building designed to accommodate up to eight million passengers per annum.

**Domestic Airport Projects**

Projects involving domestic airports also abound. Among those completed are the expansion/upgrade of: Virac Airport in Virac, Catanduanes; Maasin Airport in Southern Leyte; Tacloban Airport in Leyte; and San Vicente Airport in San Vicente, Palawan.

Ongoing projects involve construction and rehabilitation of more domestic airports, including those in Tuguegarao, Naga, Calbayog, Surigao, Ozamis, and Mati.

Domestic airport projects in the pipeline include construction of a replacement Busuanga airport in Coron, Palawan; expansion of Bacolod Airport in Negros Island; construction of Dumaguete Airport in Negros Oriental; upgrade of Laguindingan Airport in Misamis Oriental; upgrade of M'lang Airport in Cotabato; and construction of Bukidnon Airport in Bukidnon province.

**Newly Night-Rated Airports**

Meantime, more airports in the country are getting "night-rated" to increase the number of flights that airports can accommodate.

An airport that is night-rated is one that has sufficient facilities to accommodate flights in the evening. An increase in the number of night-rated airports increases the number of flights that airports can accommodate, thus boosting tourism.

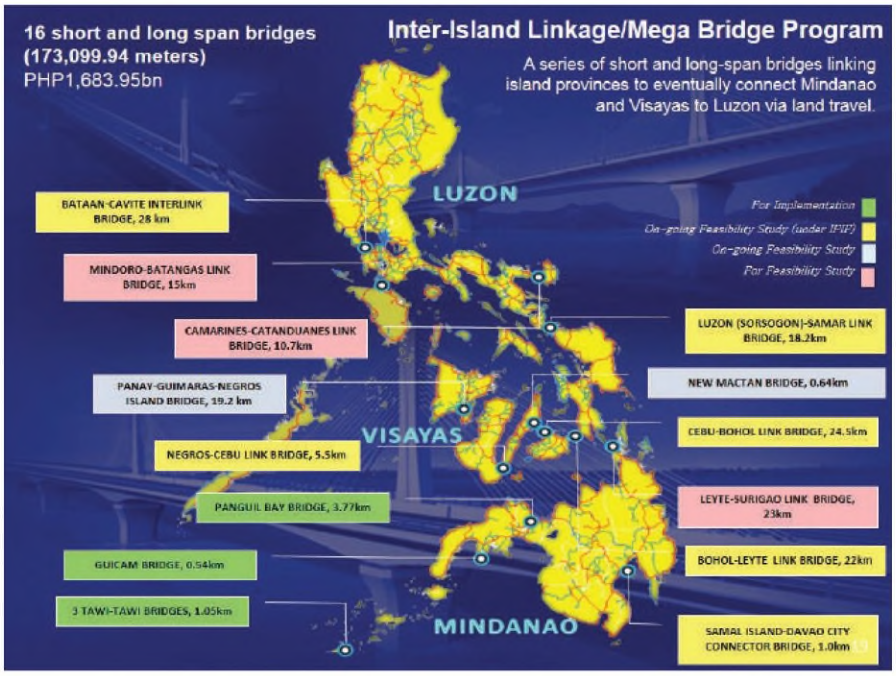
Under the Duterte administration, seven airports have become night-rated. This development increases to 22 the total number of night-rated airports in the country.

The DOTr aims to have 42 airports in the country night-rated by 2022.

***By Sherelle C. Perez***

# Major Philippine islands to be connected soon under 'Mega Bridge' program

*By Sherelle C. Perez*




**A total of 179 kms long and short span bridges will form the country's Island Linkage/Mega Bridge Program**
*Source: DPWH Presentation*

LAND TRAVEL between Luzon, Visayas, and Mindanao will soon be possible with the government's massive inter-island linkage initiative called the Mega Bridge Program.

Under the program, which costs P1.68 trillion, 16 short- and long-span bridges stretching a total of 179 kilometers will link the country's major islands.

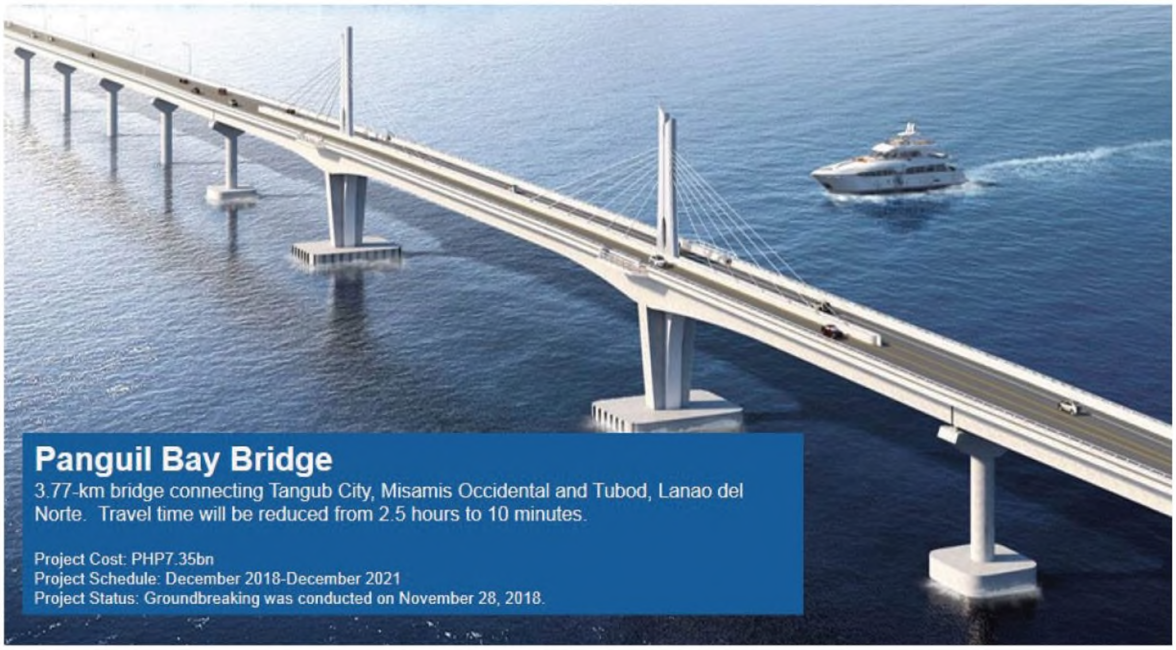
Given that the Philippines is an archipelago, infrastructure that will physically link the major islands will greatly boost business and help significantly trim transportation costs.

Among the bridges to be completed is the Panguil Bay Bridge, which already broke ground on November 28, 2018. The bridge spans 3.77 kilometers, and will connect Tangub City, Misamis Occidental and Tubod, Lanao Del Norte in Northern Mindanao.

Panguil Bay Bridge is targeted for completion in 2021. It is estimated to cut travel time between Tangub City and Tubod to just seven minutes from the current 2.5 hours. It will also shorten trips from the cities of Cagayan de Oro and Iligan to Tangub, as well as the Zamboanga Peninsula Region.

Construction of the Panguil Bay Bridge is funded with a loan from South Korea's Export-Import Bank of Korea (Korea Eximbank).

Another project is the 440-lineal meter Guicam Bridge. It will be part of the 49-kilometer Lutiman-Guicam-Olutanga Road in the Zamboanga Peninsula.




*Source: DPWH Presentation*

Meantime, there are three bridges ready for construction in Tawi-Tawi: the Malassa-Lupa Pula; the Tongsinah-Paniongan; and the Nalil-Sikkiat. The three have a total length of 1.05 kilometers.

The Guicam and Tawi-Tawi bridges will expand the Philippine road network to accelerate infrastructure development and support economic development in Mindanao. These projects will be financed through a loan agreement signed by the Philippine Government and the Asian Development Bank (ADB) on January 10, 2018 under the ADB's "Improving Growth Corridors in Mindanao Road Sector Project (IGCMRSP)."

Six other bridge projects, seen to have high economic impact, are undergoing feasibility studies with help of the Infrastructure Preparation and Innovation Facility (IPIF). The IPIF is a $100-million technical assistance loan extended by the ADB to the Philippines to support its preparation for the several flagship infrastructure projects implemented by the Department of Public Works and Highways and the Department of Transportation (DOTr).
These bridges include:
1. Bataan-Cavite Interlink Bridge (28 km)
2. Luzon (Sorsogon)-Samar Link Bridge (18.2 km)
3. Negros-Cebu Link Bridge (5.5 km)
4. Cebu-Bohol Link Bridge (24.5 km)
5. Bohol-Leyte Link Bridge (22 km)
6. Samal Island-Davao City Connector Bridge (1.0 km)

In addition, two other bridges are also undergoing feasibility studies, including the 19.2 km

**Mark Villar**
*Public Works and Highways Secretary*

Panay-Guimaras-Negros Island Bridge and the 0.64 km New Mactan Island Bridge.

Lastly, three other bridge projects are in the pipeline for feasibility studies. These are the 15 km Mindoro-Batangas Link Bridge, the 10.7 km Camarines-Catanduanes Bridge Link, and the 23 km Leyte-Surigao Link Bridge.

With the government's massive lineup of infrastructure projects, including the construction of much needed bridges, investors are provided with a better sense of the dynamic growth trajectory of the Philippine economy over the medium to long term.



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# New Clark City: A government vision turning into reality with private sector partnership

**By Patricia Ruth Cailao**
*Contributor*
*Bases Conversion and Development Authority*

*Source: Bases Conversion and Development Authority*

NEW CLARK CITY started as a big dream—a city that will feature modern technologies and the most forward-looking industries. Fortunately, the government is joined by private sector partners in making the dream a reality.

The Bases Conversion and Development Authority (BCDA), the government proponent of the project, has the best partners to make this dream city happen in the near future. Major infrastructure providers such as MTD Capital Berhad, Filinvest, PrimeWater, Meralco, as well as international heavyweights like Marubeni and Tahal Water of Israel have all committed to develop the country's first smart, green, and disaster-resilient city.

Each firm offers a unique way of building a city from scratch. In the case of MTD, moving the government center from Metro Manila to Clark is seen as one way to spur economic growth in the country.

"We came to New Clark City as we saw that this is a resilient, sustainable new city—things we can help improve on," MTD Philippines Inc. President Engr. Patrick Nicholas David said.

Malaysian conglomerate MTD Capital Berhad, through MTD Philippines, will replicate Malaysia's Putrajaya City in developing the National Government Administrative Center (NGAC) in New Clark City.

"We've been going to other regions, developing what we call mini Putrajayas - regional centers as economic growth hubs for various areas - but the


*Source: Bases Conversion and Development Authority*

one in New Clark City is the one that we see as the biggest and largest government center that we can build in the country," Engr. David added.

David added that MTD envisions a city wherein "government agencies are located in one strategic place for better program coordination, and both officials and employees are performing their functions efficiently, with an improved quality of public service."

The government center will not only house back-up offices of national government agencies but will be a significant venue for the 30th South East Asian (SEA) Games this year—something that will put New Clark City under the international spotlight and promote the city's huge potential as a premier investment hub.

MTD Capital Berhad is investing around US$245 million for Phase1A of the NGAC that is expected to finish in latter part of the year, according to its Chief Financial Officer Mr. Tee Kim Siew.

"We recognize the fact that [the Philippine government] awarded this project to us because they believe that we can deliver, [and] that's why we are very supportive of this project," Mr. Tee said.

Phase 1A of the NGAC is already 55 percent complete. Five buildings of The Residences and two buildings of the Athletes Village will be completed by mid-year to benefit thousands of athletes participating in the SEA Games. The Residences is a 500-unit housing that will benefit thousands of government workers who will be the first occupants in New Clark City.

Meanwhile, Phase 1B will entail the construction of more government buildings, housing, and support service units.

MTD helped in the construction of the Bukit Jalil Stadium in Kuala Lumpur (KL). The stadium has an 86,000-seating capacity and is the usual site of big events being held in Malaysia, including the 2017 South East Asian Games. The stadium is located in the KL Sports City that houses high-standard sports facilities.

Aside from this, MTD is also involved in railway projects in Singapore and housing construction in Australia, and has ventured out in building One Crown Place, a mixed-use development in London that features residences, offices, and other commercial spaces.

The geological characteristics of this 9,450-hectare



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*Source: Bases Conversion and Development Authority*

New Clark City make it an ideal place to build big dreams. The property is less vulnerable to earthquakes with the absence of a fault line. Because of this, the city will also be protected from the damaging effects of super typhoons as its vicinity to the Sierra Madre mountain ranges serve as the city's natural barriers. Flooding will not be a problem in New Clark City with its lowest elevation at 58 meters above sea level (masl) and highest at about 800 masl.

New Clark City's comprehensive masterplan allows flexibility for developers and urban planners to accommodate various innovations.

Filinvest Land Inc. (FLI), one of the leading property companies in the Philippines, is set to develop a 288-hectare mixed-use industrial area in New Clark City. FLI's masterplan for the said development will feature green components that will also unify the following industries: BPOs (business processing outsourcing), KPOs (knowledge process outsourcing), light industries, and residential, commercial, and educational spaces.

"This future vibrant and dynamic city will attract a wide breadth of people (and therefore is seen to be the melting pot of the Philippines), and from a wide spectrum of interests and backgrounds who are looking to participate in an integrated 'live, learn, work and play' environment," Filinvest Senior Vice President Francis Ceballos said.

Ceballos further said that there is so much to gain from New Clark City's strategic and ideal location as it is situated in the middle of Central Luzon where all major expressways converge, such as the North Luzon Expressway, Subic-Clark-Tarlac Expressway (SCTEX), and the Tarlac-Pangasinan-La Union Expressway (TPLEX).

Upon full implementation, FLI's project will accelerate Clark's steady growth. As of February 2019, the Clark Special Economic Zone wherein New Clark City is located, yielded $4.7 billion in exports.

"We would like to build on that and deliver a world center, a strategic base, a multi-gen metropolis, and an eco-efficient capital that will fulfill the vision of being Metro Manila's alternate capital and an expansion city—the better reboot of Manila," Ceballos added.

**Provision of basic utilities**

These pioneer developments will, of course, need provision of reliable water and power resources in order to attract locators, businesses, and residents.

As such, BCDA has partnered with PrimeWater consortium—which includes Prime Assets Venture,


**Vivencio Dizon**
*BCDA President and CEO*

Inc. (PAVI), MGS Construction, Inc., and Israel-based TAHAL Group—for the water and wastewater infrastructure in the new city.

The consortium bid the lowest rate of P9.45 per cubic meter for the said project, which will be more beneficial for future residents in New Clark City. The average basic rates in Metro Manila are around P30 per cubic meter.

"New Clark City is excitingly different from our current projects. New Clark City gives us an opportunity to build a totally new infrastructure ahead of population and urban development. Our partners in this project will provide their expertise to achieve the provision of smart and green water and wastewater services," PrimeWater Infrastructure Corp. President Fe T. Rebancos said.

Rebancos added that the development of New Clark City elevates PrimeWater's objective to reach the farthest households and deliver much needed water services in places where population growth has been ahead of infrastructure and development.

"Our partners in this project will provide their expertise to achieve the provision of a smart and green water and wastewater services," she said.

According to Rebancos, TAHAL Engineering, the biggest water engineering company in Israel, will work on the design and construction aspect. Prime Asset Ventures and MGS Construction will help provide the financial and technical requirements.

Rebancos also shared witnessing the capability of TAHAL in designing a world-class water and wastewater services in Romania, and that the consortium aims to develop a similar infrastructure for New Clark City.

For power distribution in New Clark City, BCDA awarded the contract to the Meralco-Marubeni Consortium, which submitted the lower tariff bid of P0.6188 per kilowatt hour.

According to Rogelio Singson, lead representative of the Meralco-Marubeni Consortium, Meralco is committed to supporting the government's development and growth agenda.

"Meralco has aggressively pursued to participate in the development of New Clark City, believing in the concept and vision of BCDA to develop a new smart city that is equal to none in the country," Singson said. "Having been personally involved in the development of Bonifacio Global City and other bases conversion and infrastructure projects, we wanted to participate in the creation of a new livable, modern, and sustainable community [that] Filipinos can be proud of. Our Japanese partners, Marubeni, Kansai & Chubu, are equally aggressive and convinced in participating in the development of the New Clark City," he added.

On behalf of Marubeni, TeaM Energy Corporation Executive Vice President Gen Takahashi said, "As an international investor, Marubeni is keen on investing in new and emerging technologies. With the right distribution utility partner like Meralco, the application of a smart technology to this [new city] will showcase a long-term project that appears to be a good venture to enter in."

Considered as a centerpiece project under the Duterte administration's "Build, Build, Build" infrastructure program, New Clark City lives up to the vision of creating alternative growth centers that will propel regional development across the whole archipelago.

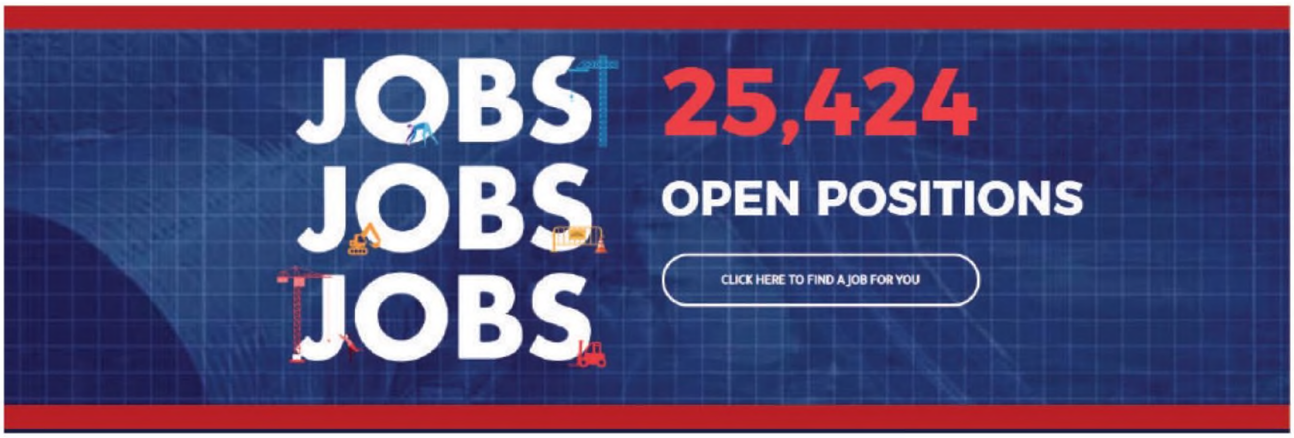
Though it may be true that there's still a long way to go before people fully realize the potentials of New Clark City, the commitment of these huge investors proves that no project is too ambitious.

New Clark City is on its way to becoming a symbol of a modern Philippines that will be truly inclusive for all Filipinos.

# 'Build, Build, Build' is 'Jobs, Jobs, Jobs'

## Infrastructure projects drive growth and trim unemployment

*By Sherelle C. Perez*




**Around 25,000 jobs in the construction sector await applicants in the government's 'Jobs, Jobs, Jobs' online portal**
*Source: Build.gov.ph website*

OVER 25,000 JOB OPPORTUNITIES resulting from the government's "Build Build Build" program recently opened up for skilled Filipino workers.

The employment opportunities are consolidated under the "Jobs, Jobs, Jobs" caravan organized by the government's infrastructure agencies, in partnership with the Department of Labor and Employment (DOLE).

The caravan is held in various parts of the country, with infrastructure projects scattered nationwide.

Among those who recently found employment from the "Jobs, Jobs, Jobs" caravan were former employees of Hanjin Heavy Industries and Construction Philippines, the Korean shipbuilding company in Subic that closed due to bankruptcy. Former Hanjin workers were hired on the spot during the Subic leg of the job caravan held last February 10, 2019. Positions were filled for welders, electricians, mason, fitter, engineers, drivers, painters, scaffolders, riggers, administrative assistants/clerks, and sales/marketing staff.

"This kind of job matching and placement under the 'Build, Build, Build' program of President Rodrigo Roa Duterte answers the needs of our jobseekers. We prefer that they be employed [in the Philippines because we need their skills in construction, shipbuilding, welding, structural fabrication, plumbing, rigging, carpentry, and plant services," said DOLE Secretary Silvestre Bello III in a statement issued on February 10, 2019.



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In 2018, the construction sector was the largest contributor to employment with a year-on-year increase of 468,000 jobs based on a Labor Force Survey conducted by the Philippine Statistics Authority in April, Secretary Bello said.

"'Build, Build, Build' is 'Jobs, Jobs, Jobs.' [The infrastructure development agenda] is providing life to our nation. Unemployment has already decreased [and] we expect this figure to shrink further," Transportation Secretary Arthur Tugade said in a recent statement.

The unemployment rate was recorded at 5.3 percent in 2018, compared with the previous year's 5.7 percent.

Public Works Secretary Mark Villar noted that the "Build, Build, Build" program is helping accelerate job creation in the country.

According to the National Economic and Development Authority (NEDA), the government's aggressive infrastructure spending is expected to contribute as much as P1.4 trillion in gross value added, equivalent to about 5.3 percent of the country's gross domestic product (GDP), by 2022.

The Duterte administration's "Build, Build, Build" program is estimated to have generated about 1.9 million additional jobs during the same period.

The list of jobs offered in all infrastructure projects, led by the 75 flagship projects of the government, may be accessed through the "Jobs, Jobs, Jobs" portal at www.build.gov.ph.

**Department of Public Works and Highways**

**Department of Transportation**



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# PNR Clark Phase 1 breaks ground

## Tutuban to Malolos leg now in full construction

***Department of Transportation***
*Press Release, February 15, 2019*

THE NORTH-SOUTH Commuter Railway Project is going full steam ahead, with its Tutuban to Malolos leg, known as PNR Clark Phase 1, commencing full-blast construction on February 15, 2019.

PNR Clark Phase 1, a 37.6-kilometer mass railway transportation, is one of the flagship projects of the Duterte administration implemented by the Department of Transportation (DOTr) and the Philippine National Railways (PNR).

It will have 13 train sets, composed of eight cars each, which will be running at a maximum speed of 120 kilometers per hour.

PNR Clark Phase 1 will have a total of ten stations, namely, Tutuban, Solis, Caloocan, Valenzuela, Meycauayan, Marilao, Bocaue, Balagtas, Guiguinto, and Malolos station; and will house a depot at a 14-hectare lot in Valenzuela City.

Once completed, this project will reduce travel time between Manila and Bulacan from an hour and 45 minutes to just 35 minutes, serving over 300,000 passengers daily.

PNR Clark Phase 1 will be seamlessly connected with the PNR Clark Phase 2 (Malolos-Clark) and PNR Calamba, forming one integrated commuter railway system that will serve commuters traveling to, from, and within NCR, Region III, and Region IV-A.

**Support Mechanisms for Affected Communities**

Proper resettlement is currently ongoing as part of the government's social responsibility to approximately 300 Informal Settler Families (ISFs) along the project alignment.


**DOTr Secretary Arthur Tugade leads the groundbreaking ceremony, together with Japanese Ambassador to the Philippines Koji Haneda, Japan International Cooperation Agency (JICA) Chief Representative Yoshio Wada, Undersecretary for Railways Timothy John Batan, PNR General Manager Junn Magno, Bulacan Governor Wilhelmino Sy-Alvarado, and officials from the public and private sector.**
*Source: DOTr*

In fact, the DOTr has approved and entered into a memorandum of agreement (MOA) with the PNR, National Housing Authority (NHA), Housing and Urban Development Coordinating Council (HUDCC), and Local Government Units (LGU's) for the relocation and resettlement of ISFs in Caloocan, Manila, Valenzuela and Guiguinto.

**Enhanced Mobility and Connectivity through "Build, Build, Build"**

DOTr Secretary Arthur Tugade led the groundbreaking ceremony with Japanese



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**The ground breaking on April 15, 2019 officially commenced the construction of the North-South Commuter Railway Project**

Ambassador to the Philippines Koji Haneda, Japan International Cooperation Agency (JICA) Chief Representative Yoshio Wada, Undersecretary for Railways Timothy John Batan, PNR General Manager Junn Magno, Bulacan Governor Wilhelmino Sy-Alvarado, and officials from the public and private sector.

“This is the President’s gift not only to the people of Bulacan and Pampanga, but more importantly, to the people of this country, in high hopes of providing them with an efficient and comfortable mode of transport. The President would like to reiterate his commitment, that we are committed to give (them) a comfortable life without any temptation or badge of corruption,” Secretary Tugade said.

**‘Fast and sure’**

After signing the contract with Sumitomo Mitsui Construction on January 23, 2019, advance works already began to make way for full construction.

“During my watch, I want this system to be fast and sure. I expect that the philosophy of ‘fast and sure’ will be implanted in this project so that this portion will be completed by the last quarter of 2021,” the transportation chief emphasized.

According to Undersecretary Batan, as of February 2019, 91 percent of the PNR Clark Phase 1 alignment has already been cleared.

“This is testament to the effectiveness of the strategy that Secretary Tugade launched on January 5, 2018, which was to pursue as many advance works as possible, as early as possible, so that by the time that contracts are signed with our contractors, construction work can immediately begin,” Undersecretary Batan pointed out.

**Fruits of PHL-Japan partnership**

After the groundbreaking ceremony of the PNR Clark Phase 1, the groundbreaking of the Metro Manila Subway commenced on February 26, 2019.

“Today, we celebrate and affirm our relationship with the Japanese government, as we are working very closely on multiple projects, which we are starting now to the surprise and the pleasant acceptance of the Filipino people,” Secretary Tugade said.

“Utilizing Japanese technologies and years of railway expertise, the NSCR project will not only revive traditional railroads and the PNR, but also build a state-of-the-art rapid transit system that is on par with international standards,” Ambassador Haneda expressed.

*Source: DOTr Facebook*



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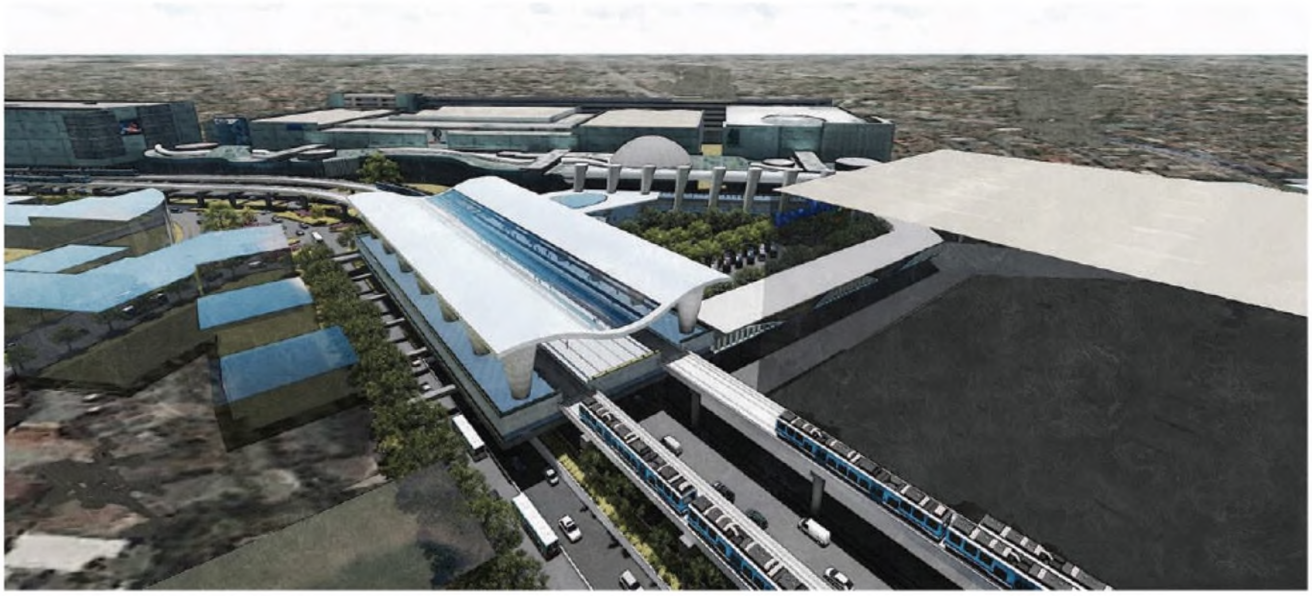
# Common Station ready to go

## Contract signed for design and construction of the Unified Grand Central Station (Area A)

***Department of Transportation***
*Press Release, February 13, 2019*



**Render of the Unified Common Station**
*Source: Build.Gov.Ph website*

THERE'S NO STOPPING the construction of the Common Station, as the Department of Transportation (DOTr) formally signed the contract for the design and construction of 'Area A' of the Unified Grand Central Station (UGCS), also known as the Common Station, on February 13, 2019.

The Common Station, located at the north end of Epifanio de los Santos Ave (EDSA) in Metro Manila, marks the intersection of four railway lines – the LRT-1, MRT-3, MRT-7, and the Metro Manila Subway. It aims to provide seamless transfer of passengers from one rail line to another.

The Common Station will feature a transit area for the riding public, operated by an automated fare collection system, which will give commuters better point-to-point mobility and comfort. Upon completion, it is expected to serve approximately 500,000 passengers daily.

DOTr Secretary Arthur Tugade led the signing ceremony at the construction site, together with Undersecretary for Legal Affairs Reinier Paul Yebra and Undersecretary for Railways Timothy John Batan who signed on behalf of the DOTr. Meanwhile, Lucila Gomez signed as an authorized representative of the BF Corporation-Foresight Development and Surveying Company Consortium (FDSC).

"What is the value of the Common Station? Three things: interoperability, intermodality, and interconnectivity. Those three are key elements in making Filipino life comfortable," Secretary Tugade said.

With the location of the Common Station stalled since 2009, Secretary Tugade met with all parties involved and got them to agree on a location within the first 100 days of the Duterte administration.



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# Common Station Ready to Go: DOTr signs contract for the design and build of the Unified Grand Central Station (Area A)

**From L-R: DOTr Undersecretary for Legal Affairs Rainier Paul Yebra, Undersecretary for Railways Timothy John Batan, and Secretary Arthur Tugade with representatives of BF Corporation and Foresight Development and Surveying Company Consortium during the contract signing of the design and build of 'Area A' of the Unified Grand Central Station (UGCS), also known as the Common Station**
*Source: DOTr*

"Alam niyo 'ho, 'yung Common Station, matagal na 'hong inumpisahan 'yan. Nung nag-umpisa po kami, nagkapit-bisig tayo kasama ang mga tinatawag na economic tai-pans at sinabi nila, 'makikiisa kami sa inyo. Magsama-sama tayong bigyang buhay at bigyan ng katunayan ang tinatawag na Common Station na inaasam ng madlang bayan'," the transportation chief added.

The Common Station is a 13,700-square meter concourse comprised of three areas: Area A under the DOTr, Area B under Ayala Land Inc., and Area C under the MRT-7 Project facilitated by San Miguel Corporation (SMC). Since the groundbreaking in 2017, Ayala Land Inc. has started the construction of Area B.

Area A is set to be completed by 2020, while the entire Common Station is expected to be operational by 2022.

"November 28, 2006 – 'yan po ang petsa kung kailan naaprubahan ang konsepto ng Common Station. Fast-forward to 2019, and we are now closer to what we have thought of more than a decade ago," Undersecretary Batan said.

The construction of the Common Station is one of many projects under the "Build, Build, Build" Program of the Duterte administration. The groundbreaking ceremony for the PNR Clark Phase 1 (Tutuban-Malolos) took place on February 15, 2019, and the groundbreaking of the Metro Manila Subway took place on February 26, 2019.

"Groundbreaking is one thing. Completion of a project is another thing. If you do not complete the project with the quality expected and within the timeline formulated, I will hold you accountable in the books," Secretary Tugade emphasized.



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# Japanese debt watcher R&I affirms Philippines' investment grade amid investment-driven growth

**NEDA Secretary Ernesto Pernia, and BCDA President and CEO Vivencio Dizon join the R&I analysts during their site visit to New Clark City. They were accompanied by NEDA officials and BSP-IRO Director Evie Medina-Navarro**

JAPAN-BASED debt watcher Rating and Investment Information, Inc. (R&I) has affirmed the Philippines' credit rating at "BBB" with a "stable" outlook, citing record-breaking public and private-sector investments that are fueling robust economic growth.

The "BBB" rating is one notch above the minimum investment grade, reflecting that the Philippines' creditworthiness remains firm. The "stable" outlook signifies absence of factors that can trigger a change in the rating over the short term.

"The Philippines' economy is expected to post solid growth, driven by aggressive public investment under the Rodrigo Duterte administration," R&I said in a press release issued on February 8, 2019.

Under the administration's "Build, Build, Build" agenda, the government is programmed to spend $160 billion to $170 billion from 2017 to 2022 on a nationwide infrastructure buildup, which includes subways and other railway systems, expressways, airports, and inter-island connector roads, among others.

The government expects its infrastructure push to help achieve an economic growth target of seven to eight percent this year through 2022.

R&I also recognized rising private-sector investments, which are seen to be following the public infrastructure-spending boom.

"In addition to robust private consumption backed by remittance inflows from overseas Filipinos, [private] investment growth has become increasingly noticeable in recent years," it said.

Data from the Philippine Statistics Authority (PSA) showed that private investments grew by 12.9 percent in 2018, accelerating from 3.7 percent the previous year.

Responding to R&I's latest rating decision, Finance Secretary Carlos Dominguez III said: "This is one more recognition of the Duterte administration's sustained push for a massive infrastructure modernization program to supercharge the domestic economy, and at the same time enhance its creditworthiness and status as a major investment hub in the region."

"The Duterte administration will see to it that the government remains on track with its development goals of transforming the Philippines into an upper middle-income economy and reducing the poverty incidence by a third to 14 percent by the time the President steps aside in 2022. It is committed to pursuing its goal of high and inclusive growth via a combination of prudent policy reforms, and an aggressive fiscal expansion strategy, anchored on President Duterte's flagship initiative Build, Build, Build,'" Dominguez added.

On a similar note, former BSP Governor Nestor Espenilla, Jr. said: "While not immune from global economic challenges, the Philippines' economic

**Mr. Hermie Flores, General Manager of Galley Supply Chain (front left) met with R&I analysts to discuss business operations and outlook**

**DOTr officials welcomed the R&I analysts in their Clark office. From L-R: Usec. Rainier Paul Yebra, Usec. Gary De Guzman, Sec. Arthur Tugade, R&I's Chief Analyst Kenji Sekiguchi, Ms. Keiko Ikamura, Associate Analyst, and Ms. Rica Amador of the BSP-IRO**

performance has remained solid, marked by 20 consecutive years of growth. This feat has made the Philippines an outperformer, whose gains are easily noticed in the international arena."

"This positive record comes on the back of dynamic policy making, including in the area of monetary policy and banking supervision, that has helped provide an environment conducive to sustainable economic growth," Espenilla added.

Meanwhile, R&I likewise recognized the government's reform initiatives, citing the comprehensive tax reform program (CTRP) and the recently signed Bangsamoro Organic law (BOL).

R&I expects the CTRP to boost government revenues, which in turn will support the government's healthy credit profile. CTRP is also meant to make the country's tax system simpler and more equitable.

Also, R&I said the establishment of a new Bangsamoro region – following the enactment last year of the landmark BOL – serves as a basic foundation for the socioeconomic development of Mindanao moving forward.

# Philippines earns Triple-A rating from Chinese debt watcher

***Extract from Lianhe's report on the Republic of the Philippines***
*February 15, 2019*

聯合評級國際
Lianhe Ratings Global

A CHINA-based debt watcher has affirmed the Triple-A rating assigned to the Philippines, citing the government's healthy fiscal profile and the economy's strong performance.

In a statement issued on February 15, 2019, China Lianhe Credit Rating Co. Ltd. said the "AAA" rating is assigned a "stable" outlook, which indicates absence of material factors that can change the rating at least over the short term.

The affirmation of the rating comes ahead of the Philippine government's plan to issue panda bonds later in the year, following the warm reception of the Chinese market in the Philippine government bonds last year.

"The Republic of the Philippines (the "Philippines") has a well-established institutional framework, and its governance capacity is moderate albeit improving remarkably in recent years. The Philippines has maintained strong and consistent economic growth in recent years, and its unemployment is well under control," Lianhe said in its report on the affirmation of the Philippines' "AAA" rating.

"The Government of the Philippines has a strong public financing strength underpinned by narrow fiscal deficit, low level of government debt and a strong capacity to serve the debt. The Philippines' external financing strength is very strong, with a low level of external debt well covered by ample current account revenues and foreign reserves," Lianhe further added.

The debt watcher likewise recognized that the Philippines enjoys a sound and stable banking system.

# Philippine banking sector bags higher credit rating

## New BSP Charter seen bolstering its capacity to instill stability in financial system


**Chuchi Fonacier**
*Bangko Sentral ng Pilipinas Deputy Governor Financial Supervision Sector*

DEBT WATCHER S&P Global upgraded the Philippine banking sector's credit rating by a notch, citing the expected significant improvement in the country's regulatory environment following the signing into law of Republic Act No. 11211 (RA No. 11211), which amends the charter of the Bangko Sentral ng Pilipinas.

In a report released February 27, 2019, S&P said it raised the Philippines' Banking Industry Country Risk Assessment (BICRA) score from "6" to "5," owing to the favorable provisions of the newly signed law.

BICRA scores range from 1 to 10, with 10 reflecting assessment of highest risk.

The announcement came less than two weeks after President Rodrigo Duterte signed the amended BSP Charter on February 14, 2019, a landmark policy reform that took years of deliberation in Congress.

"We view these amendments as a positive step toward greater independence [of] and more effective implementation of prudent policies and measures [by the Bangko Sentral ng Pilipinas]," S&P said.

R.A. 11211 affirms and strengthens existing frameworks and practices of the BSP in carrying out its supervision mandate. It supports the application of risk-based principles in allocating examination resources and in setting out capital requirements in banks. The BSP has long shifted to the risk-based approach of supervision and has crafted policies that are not only commensurate to the risk exposures of its supervised financial institutions, but are also suited to domestic conditions. The new law now provides a legal anchor to said approach.

The other highlights of the law include the legal protection given to BSP officials in the exercising of the central bank's regulatory role, as well as the prohibition for lower courts to issue restraining orders to the BSP.

These provisions address the long-standing problem of vulnerability of the BSP and its officials to law suits filed by either erring or weak banks that are penalized or ordered closed by the BSP. Notwithstanding said limitation in the past, the BSP has established an enforcement framework that promotes consistent handling of supervisory issues, including the closure of banks.

**Bangko Sentral ng Pilipinas**
*Source: BSP Facebook page*

S&P said that with the new law, the BSP can better fulfill its mandate of promoting a sound financial system.

Another highlight of the new law is the expansion of the BSP's regulatory coverage to include monetary service businesses, credit granting businesses, and payment systems. These are consistent with ongoing initiatives of the BSP along with other government agencies to promptly address emerging threats posed by entities outside the banking system.

"We believe the expansion of coverage of institutions under BSP supervision [...] bolsters BSP's position to address potential risks arising from the interconnectedness of entities in the financial system," S&P said.

Also, the new law allows the BSP to issue its own debt securities, which, according to S&P, enhances the ability of the BSP to manage liquidity in the economy.

The law likewise increases the capitalization of the BSP from P50 billion to P200 billion.

Commenting on the upgrade of the Philippine banking industry's credit rating by S&P, Deputy Governor Chuchi Fonacier, who heads the BSP's financial supervision sector, said: "We are pleased to learn about the quick recognition by S&P of the significant benefits of R.A. 11211 which the BSP deems as an important game-changing policy reform."

"The law, which unleashes a new and more progressive era of financial sector supervision in the country, further enhances the ability of the BSP to serve as a pillar of strength for the Philippine economy," Fonacier added.

Meanwhile, on top of the favorable regulatory development, S&P said the Philippine banking system is expected to withstand various risks—such as currency volatility and higher interest rates, among others—given sufficient capitalization and strong domestic franchise that supports growing deposit base.

# Philippines improves ranking in corruption watchdog's index

**Officials of the Presidential Anti Corruption Commission led by Chair Dante Jimenez (2nd from left)**
*Source: PNA*

FOLLOWING THE IMPLEMENTATION of decisive initiatives to further enhance integrity in government service, the Philippines registered a 12-notch improvement in ranking in the 2018 Corruption Perceptions Index of Transparency International.

The Philippines ranked 99th of 180 countries in the 2018 survey, with an index score of 36 out of 100. This is a significant improvement from its 111th rank in the 2017 survey.

So far, this is the best mark under President Duterte's administration, and the country's highest rank since 2013.

The country's improved performance in the globally monitored survey is consistent with the government's anti-corruption drive.

On January 10, 2019, President Duterte signed Executive Order No. 73, which amends the jurisdiction, powers, and functions of the Presidential Anti-Corruption Commission (PACC).

The amended law grants authority to PACC to investigate allegations of corruption in government; recommend the filing of charges by the Ombudsman against erring public servants; and investigate presidential appointees in the Armed Forces of the Philippines and Philippine National Police upon the President's instruction.

Additionally, PACC can now also investigate officials who violate the Anti-Red Tape Law.

Last October, President Duterte also signed the Ease of Doing Business and Efficient Government Service Delivery Act of 2018, which reduces the processing time for government transactions and the cutting of bureaucratic red tape.

Moreover, in August 2018, the President signed into law the Philippine Identification System Act, also known as the national ID system law. Under the

**President Duterte during the signing of the Ease of Doing Business Law**
*Source: PCOO*

law, the government will develop a reliable and safe database of biometrics and other information of all Filipinos.

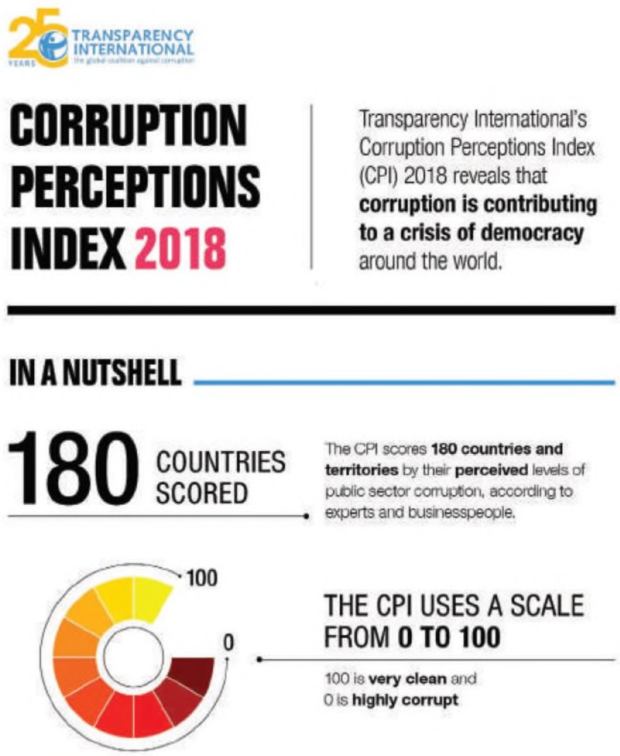
A national ID system is expected to help enhance the delivery of public services. It will also significantly improve transparency in the delivery of the government's conditional cash transfers to select poor families.

Meanwhile, Transparency International called on governments around the world to make real progress against corruption and strengthen democracy by:

- Strengthening the institutions responsible for maintaining checks and balances over political power, and ensuring their ability to operate without intimidation;
- Closing the implementation gap between anti-corruption legislation, practice and enforcement;
- Supporting civil society organizations, which enhance political engagement and public oversight over government spending, particularly at the local level;
- Supporting a free and independent media, and ensuring the safety of journalists

In compiling the report, Transparency International measured the perceived levels of public sector corruption in 180 countries and territories through surveys of business people and experts in various industries.

*By Sherelle Perez*



# Philippine econ officials woo Japanese investors

## About 180 investors attend Philippine Economic Briefing in Osaka

**Seated in front (L-R): BDO President Nestor Tan, DPWH Secretary Mark Villar, NEDA Secretary Ernesto Pernia, Former DBM Secretary and concurrent BSP Governor Benjamin Diokno, DOF Secretary Carlos Dominguez, III, DOT Secretary Bernadette Romulo-Puyat, Philippines' Ambassador to Japan Amb. Jose Laurel V, Japan's Ambassador to the Philippines Koji Haneda, DOTr Secretary Arthur Tugade, BSP Deputy Gov. Diwa Guinigundo, Ayala Corporation CEO Jaime Augusto Zobel de Ayala, and BCDA President and CEO Vivencio Dizon together with senior officials of Japanese banks, Japan International Cooperation Agency (JICA), and Japan External Trade Organization (JETRO).**

SENIOR OFFICIALS of the Philippine government presented the country's solid growth prospects before Japanese investors in Osaka and surrounding areas, as they cited vital economic and infrastructure reforms put in place under the current leadership.

Some 180 investors were present during the Philippine Economic Briefing (PEB) held Friday, February 22, 2019 to learn about the Philippine economy and growth opportunities for their businesses.

Finance Secretary Carlos Dominguez III expounded on the reform-minded leadership the Philippines currently enjoys: "The Duterte administration is relentless in pushing reforms that will improve the ease of doing business in the country. We have drastically cut the Foreign Investments Negative List. [Also] just last week, President Duterte signed into law the Rice Tariffication Act, which will stabilize rice prices, further push down inflation, and improve the Philippines' agricultural productivity, as well as open the country's rice market to private traders."

Transportation Secretary Arthur Tugade echoed the country's most aggressive infrastructure reforms to date: "With these numerous projects under the 'Build, Build, Build' program, the Philippines is headed towards a new age — an age where infrastructure is safe, secure, and offers the 'good life' that every Filipino dreams of."

There are over 4,000 infrastructure projects all over the Philippines, of which 75 are considered flagship given their high impact on the economy. Infrastructure projects include airports, mass transit systems, expressways, and inter-island connector roads.

Bangko Sentral ng Pilipinas Deputy Governor Diwa Guinigundo explained the importance of central banking reform, the law on which was finally signed last week following years of deliberation in Congress: "The BSP Charter was recently amended allowing [the] BSP to issue its own debt securities. This means, the BSP can move more quickly into a more


**BSP Deputy Governor Diwa Guinigundo during his presentation on updates on monetary policy and financial sector**

**Carlos G. Dominguez**
*Finance Secretary*

market-based open market operation to manage domestic liquidity and sustain price stability."

Secretary Benjamin Diokno discussed the government's regard for fiscal discipline, even as it invests more on infrastructure and social services: "The characteristics of our fiscal strategy are that it is fiscally responsible, it puts a high premium on the quicker delivery of services and the earlier completion of projects, it is transparent, and [it] encourages citizen participation."

The reforms cited by the officials, among others, are seen to propel the Philippines to a path of higher economic growth that is increasingly more inclusive.

The Philippines is expected to become an upper middle-income economy this year, ahead of the 2022 schedule. The government also aims to maintain the momentum so that the economy reaches high-income status by 2040.

Secretary Diokno highlighted the role of the Philippines' favorable demographics in this endeavor: "The Philippines has a young and growing population. In an aging world, this is a formidable asset."

The government is maximizing the benefits of a young population through higher investments in health and education. In August 2017, President Duterte signed a law providing free college education. Last week, the President signed the universal healthcare law, which provides access to free healthcare services for all.

Sound economic management has provided an enabling environment for businesses to grow.

During the PEB's panel discussion, JETRO President Yasushi Akahoshi said that among ASEAN countries, the Philippines is where Japanese companies enjoy the highest profits.

Profitability of businesses is seen as sustainable amid a favorable outlook for the Philippine economy, which is widely expected to remain among the fastest growing economies in Asia.

The latest PEB in Japan, as stressed by Philippine Ambassador to Japan Jose Laurel V, is expected to help further enhance the already strong economic ties between the Philippines and Japan.

Japan is one of the Philippines' biggest export markets and is also one of its top sources of imports. At the same time, Japan is a major source of official development assistance and foreign investments.

**From L-R: Bangko Sentral ng Pilipinas (BSP) Investor Relations Office Director Evie Medina-Navarro, BSP Department of Economic Research Director Dennis Lapid, Bureau of the Treasury (BTR) Treasury Operations Officer JC Sebastian, BSP Deputy Governor Diwa Guinigundo, BTR National Treasurer Rosalia De Leon, SMBC Nikko Securities Inc. Vice President Yuki Mochizuki, and BTR Chief Operations Officer Arturo Trinidad II**



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# Strength of Philippine economy showcased in investor trip

***By Joanna Paula C. Cobarrubias***

**Officers of the BSP's Monetary and Economics Sector (MES) led by BSP Deputy Governor Diwa Guinigundo met with investors and business leaders during an investor trip organized by Bank of America Merrill Lynch and held on February 28, 2019**

THE PHILIPPINE ECONOMY is poised to sustain robust growth and maintain its resilience to headwinds in the years ahead.

This was the key message during a recent meeting between investor clients (foreign fund managers and portfolio investors) of Bank of America Merrill Lynch (BofAML) and officials of the Bangko Sentral ng Pilipinas (BSP). The meeting, organized with assistance from the BSP's Investor Relations Office (IRO), was part of BofAML's "ASEAN Investor Trip."

BSP Deputy Governor Diwa Guinigundo shared bright prospects to the investors, noting that the Philippines has broken the boom-and-bust cycle with its 80 consecutive quarters of positive growth since 1999.

The Philippines was among the fastest growing economies in Asia in 2018, with growth settling at a strong 6.2 percent despite headwinds such as a spike in global oil prices, and a series of weather-related disturbances.

"[The Philippines' growth] performance was attributed largely to robust consumption, driven partly by government's spending both on infrastructure and social programs, as well as continued growth in private investment. On the supply side, industry, especially manufacturing and construction, as well as services, are now increasingly more important in driving economic growth," Deputy Governor Guinigundo said.

Looking ahead, Deputy Governor Guinigundo said the Philippine economy's growth trajectory is expected to be sustained in 2019. He said this projection is shared by international observers, including the International Monetary Fund (IMF), World Bank (WB), and Asian Development Bank (ADB).



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**From head table, L-R: Bangko Sentral ng Pilipinas (BSP)-International Monetary Affairs Sub-sector (IMASs) Officer-in-Charge Toby Marcelo, BSP Deputy Governor for Monetary and Economics Sector (MES) Diwa Guinigundo, and BSP-Department of Economic Research (DER) Director Dennis Lapid; and BSP Investor Relations Office (IRO) DIrector Evie Medina-Navarro addressed the investors' questions on Philippine economy**
*Source: Investor Relations Office*

IMF, WB, and ADB project the Philippine economy to grow between 6.5 percent and 6.9 percent in 2019.

Economic growth in 2019 is likewise expected to be supported by a manageable inflation environment.

Following elevated inflation in 2018, which was due to a host of supply-side factors, including a spike in global oil prices, Deputy Governor Guinigundo told the investors that inflation will revert to within-target range in 2019 and 2020.

Based on estimates by the BSP as of February, average inflation is seen to settle at 3.1 percent in 2019 and 3.0 percent in 2020.

The Deputy Governor assured investors that the economy also has sufficient buffers against global headwinds, citing the country's robust external payments position supported by strong structural foreign exchange inflows. He stated that the Philippines has "a comfortable level of gross international reserves (GIR)—enough to cover more than seven months' worth of imports of goods and services," he said. Likewise, remittances from overseas Filipinos, revenues from IT-BPO industry, tourism receipts, and the continued inflows of foreign direct and portfolio investments are expected to provide adequate buffers."

Leading the foreign exchange inflows to the Philippines are remittances from overseas-based Filipinos, information technology-business process outsourcing (IT-BPO) receipts, and tourism receipts.

He added that Philippine banks are also sufficiently capitalized, thus capable of supporting more productive activities that will promote high, inclusive, and sustainable economic growth.

He also noted that the government's relentless pursuit of policy and structural reforms over the last 25 years has underpinned the resiliency and sustainability of the economy.

Likewise, the multiple credit rating upgrades for the country since 2010 reflects assessment by international debt watchers of the Philippines' continually improving credit profile.

The investors also met with officials from the Department of Finance, the Department of Budget and Management, and the Bureau of the Treasury.

The BofAML periodically hosts investor trips to the Philippines and is one of the many investor missions that the IRO-BSP helps regularly arrange.



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# Philippines eyes Samurai, Panda bonds anew


**Finance Secretary Carlos G. Dominguez delivers the keynote during the Philippine Economic Briefing in Osaka last February 22, 2019.**

THE PHILIPPINE government plans to sell Samurai and Panda bonds again this year following the warm reception given by Japanese and Chinese markets last year.

The bond issuances will follow the conduct of a Philippine Economic Briefing (PEB) and a series of roadshows in Osaka, Japan in February and in Beijing, China in March.

During the PEBs, top economic and infrastructure officials of the Philippine government, led by Finance Secretary Carlos Dominguez III, will present updates on the performance, outlook, and policy directions for the economy, as well as the lineup of massive infrastructure projects that are seen to drive robust growth in the years ahead.

As part of the series of roadshows, National Treasurer Rosalia de Leon and Bangko Sentral ng Pilipinas Deputy Governor Diwa Guinigundo meet with potential investors to discuss the country's healthy credit profile.

In March last year, the Philippines became the first ASEAN sovereign to issue Panda bonds, selling RMB 1.46 billion worth of securities.

With a tight spread of 35 basis points above the benchmark, the three-year Panda bonds fetched a coupon rate of five percent, in what finance officials consider a reflection of confidence in the robust growth prospects and creditworthiness of the Philippines.

In August last year, the Philippines sold JPY 154.2 billion worth of bonds in the Japanese market, with tenors of three, five, and 10 years.

The appetite for bonds is strong, with the bonds fetching favorable yields. The coupon rates were set at 0.38 percent, 0.54 percent, and 0.99 percent for the three, five, and 10 year bonds, respectively.

Tapping of the Japanese and Chinese markets for the Philippine government's bond issuances is part of the government's liability management strategy, where funding is from diverse sources and bond issuances are done amid favorable market conditions.

Fund raising activities support the government's expenditure program for infrastructure and social services, in line with the goal of hitting upper middle-income status and achieving more inclusive economic growth.

**Philippine Economic Briefing in Beijing (March 20, 2019): Around 600 investors and other guests attend to hear about the Philippines' dynamic and compelling growth story.**

# Dr. Benjamin Diokno is new Philippine Central Bank Governor


**President Rodrigo Duterte swears in Benjamin Diokno as new BSP Governor**
*Source: BSP*

PRESIDENT RODRIGO DUTERTE has appointed Dr. Benjamin E. Diokno as the new Governor of the Bangko Sentral ng Pilipinas (BSP) effective March 5, 2019.

Dr. Diokno will serve as the 5th Governor of the BSP following Nestor Espenilla Jr., who succumbed to cancer on February 23, 2019.

Dr. Diokno, who has vast experience and remarkable achievements both within and outside of government, is expected to continue steering the BSP—one of the most respected government institutions in the country—to a position where it effectively fulfills its core mandates of price and financial stability.

"In his new tour of duty in the BSP, we expect… Governor Diokno to spearhead reform initiatives that will align the financial institution's operations with international best practices and improve its corporate viability, among others, in line with Republic Act No. 11211, which was signed by President Duterte just last February 14," Presidential spokesperson Salvador Panelo said in a message shared to members of the media.

Dr. Diokno is credited for his role in the implementation of various initiatives that improved transparency in, and efficiency of, government service delivery. Among Dr. Diokno's recognized contributions to government are his technical assistance to the crafting of the 1986 Tax Reform Program, his role in the design of the 1991 Local Government Code, as well as his valuable inputs to the Government Procurement Reform Act.

Dr. Diokno, who has a PhD in Economics degree from Syracuse University, USA, served as the Duterte administration's budget secretary prior to his new

**New BSP Governor Benjamin Diokno with other BSP officials and Monetary Board (MB) Members during his first MB meeting**
*Source: BSP*

appointment at the helm of the BSP. He was the budget secretary under former President Joseph Estrada, and served as the budget undersecretary during the first Aquino administration.

He previously served as a consultant to the World Bank, Asian Development, European Commission, and USAID for work in the Philippines, China, Vietnam, Cambodia, and Mongolia, and was a senior advisor to the non-profit research and education organization International Tax and Investment Center (ITIC).

Dr. Diokno's corporate leadership experience includes being former chair and CEO of Philippine National Oil Company and former chair of Local Water Utilities Administration.

He was also chair of the Board of Regents of the Pamantasan ng Lungsod ng Maynila (Manila City University), chair of the Board of Trustees of the Ospital ng Maynila Medical Center, and independent director at Asia United Bank.

Finance Secretary Carlos Dominguez III, who heads the government's economic cluster, describes Diokno as someone who has "unquestionable competence," citing his vast professional experience.

"[Diokno] brings together that elusive combination of seasoned technocrat and professional manager. He knows the inner workings of government and industry, and has repeatedly demonstrated the ability to run a large, complex organization with intellectual leadership and a steady hand," Dominguez said in a message shared to members of the media.

"All of these will contribute to his successful stewardship of the Bangko Sentral ng Pilipinas as its next Governor and Chairman of the Monetary Board," Dominguez added.

***By Michelle V. Remo***

# BSP Governor Diokno on policy continuity, institutional independence

***Statement delivered at press conference held at the BSP Executive Business Center***
*March 8, 2019*


**Benjamin E. Diokno**
*Bangko Sentral ng Pilipinas Governor*

Good morning.

I am happy to be with you all today at the Bangko Sentral ng Pilipinas.

I would like to thank the BSP family for their warm reception on my first day at work in BSP and the Monetary Board for our very collegial discussions yesterday.

Invariably, one cannot speak about the BSP without mentioning my immediate predecessor, Nestor A. Espenilla Jr., who spent his career spanning 38 years here. I am sure that he is and will be greatly missed for pushing an agenda centered on financial inclusion, financial learning, and consumer protection. Rest assured, I will be adopting this agenda with the aim of making financial services more accessible to our larger population.

The BSP has fostered an environment for the ideal convergence of stable prices and high economic growth by implementing much-needed reforms during the past 20 years.

This has certainly led to favorable and wide-ranging results, including the country's maintenance of its investment-grade credit ratings. As of end-2018, the country is rated BBB/Positive by Standard and Poor's, BBB/Stable by Fitch, and Baa2/Stable by Moody's Investors Service.

**A Strong Institution**

I am certain that the BSP would not have been able to pursue such difficult reforms without a highly competent workforce that is led by outstanding, capable, and intelligent leaders.

Under the BSP's Strategy Map 2018-2023, I have been duly informed that the officers and staff of this institution are collectively working towards being "recognized globally as the monetary authority and primary financial system supervisor that supports a strong economy and promotes a high quality of life for all Filipinos."

I would say that you have done this with clear results, as I am now joining a credible Central Bank that enjoys the trust and confidence of the market in pursuing its mandate of price stability, financial stability, and efficient payments system.

It is also noteworthy that the BSP is committed to promoting Dynamic Stakeholder Engagement to constantly seek ways to improve delivery of mandates; Organizational Agility amid a changing operating environment; and Organizational Capability by constantly developing agile, collaborative, motivated, and skilled BSP workers.

While I am still taking stock of the full breadth of my responsibilities here at the BSP, I am confident that this strong, professional, and well-respected organization will see me through the challenges of



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governorship. I truly am honored to join this esteemed institution as its fifth Governor.

**Strong Regulatory Framework**

Aside from the quality of this institution, I am also glad to note that the BSP is now better equipped to pursue its path of excellence with the enactment of new laws.

First and foremost, "Republic Act No. 11211, or An Act Amending Republic Act No. 7653, otherwise known as the 'New Central Bank Act', and for Other Purposes" signed on February 14, 2019 by President Rodrigo Duterte strengthens the BSP's regulatory framework for pursuing its mandate. The law (a) strengthens policy framework for promoting price stability; (b) enhances the framework for prudential regulation and systemic risk management to foster the safety and soundness of the financial system; and (c) empowers the BSP to oversee payment and settlement systems.

Immediately after the signing of R.A. No. 11211, Standard and Poor's upgraded the Philippine banking system's Banking Industry Country Risk Assessment (BICRA) score from "6" to "5," indicating lower risk assessment for our banking system. BICRA scores range from 1 to 10, with 10 reflecting assessment of highest risk.

Alongside the new BSP law, Republic Act No. 11127 or the "The National Payment Systems Act" further bolsters the BSP's capacity to foster the efficiency of payments systems as pipelines of funds in the financial market. These laws bolster the BSP's capacity to provide a steadying hand to the financial system.

Moreover, these payment systems initiatives dovetail with BSP's efforts to continuously enhance the financial system's management of cyber risks. Knowing that IT security issues have systemic implications, the BSP, under my leadership, shall continue strengthening the system's ability to address these threats.

Moving forward, I see these multifaceted undertakings ultimately benefiting the Filipino people in terms of stable prices and a sound financial system that ably manages funds entrusted to it by savers and investors.

Last year presented a challenge for the conduct of monetary policy. Shocks from high oil and food prices brought average inflation to 5.2 percent in 2018, exceeding the National Government's target of 2-4 percent. To ensure that we avoid propagating second-round effects and upsetting inflation expectations, the BSP tightened monetary policy by a total of 175 basis points.

With inflation slowing down in recent months, authorities have further opportunity to assess the stance of monetary policy. Given the impact of non-monetary measures to relieve food supply bottlenecks, including the implementation of the rice tariffication law, the BSP expects inflation to settle within the target band of 3.0 percent ± 1.0 percentage point for 2019-2020. Inflation expectations have also started to stabilize within the BSP's target band, while domestic economic activity remains firm.

Nevertheless, various risks, both here and overseas, require the BSP to continue to keep a close eye on developments that could affect the outlook for inflation. As always, our decisions on the monetary policy stance will remain data-dependent.

**Institutional Independence**

In pursuing policy continuity, let me also assure you that the BSP will sustain its institutional independence with the Monetary Board acting as a collegial body. We shall continue to pursue monetary and financial sector policies that are data-driven, evidence-based, and attuned to the evolving market environment.

Thank you very much and have a good morning.



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# BSP welcomes Dr. Diokno as new central bank Governor

***Bangko Sentral ng Pilipinas Press Release***
*Press release, March 6, 2019*

**President Rodrigo Duterte swears in Benjamin Diokno as new BSP Governor**
*Source: PCOO*

THE BANGKO SENTRAL NG PILIPINAS welcomes and fully supports the appointment by President Rodrigo Roa Duterte of Secretary Benjamin E. Diokno as Governor and Chairman of the Monetary Board.

In a statement, BSP Officer-in-Charge Cyd Tuano-Amador said that as the fifth Governor of the BSP, he brings with him a special brand of leadership honed from decades of exposure to different facets of government operations to improve the lives of Filipinos, in cooperation with the private sector, the academe, and various organizations.

The BSP community looks forward to his assumption into office tomorrow, Thursday, and to working closely with him to ensure the smooth functioning of the central bank, to effectively discharge its mandate to promote price and financial stability, to ensure a safe, reliable, and efficient payments system as well as to help sustain economic growth that is inclusive and participatory.

# World Bank expects Philippines to rise above global economic slowdown

**According to World Bank's report, the Philippines is seen to be among the outperformers in East Asia and the Pacific (EAP), rising above the anticipated slowdown of the global economy**
*Source: Investor Relations Office*

THE WORLD Bank expects the Philippines to withstand a predicted global economic slowdown and to register faster growth this year and in the next two years. This positive outlook takes its robust domestic activities and healthy external accounts into consideration.

In its "Global Economic Prospects" report published in January 2019, the World Bank pinned its economic growth projection for the Philippines at 6.5 percent this year, and at an even faster pace of 6.6 percent for both 2020 and 2021.

At these levels of growth, the Philippines is seen to be among the outperformers in East Asia and the Pacific (EAP), rising above the anticipated slowdown of the global economy.

The World Bank has projected the global economy to grow by 2.9 percent this year, and at a slower pace of 2.8 percent in the next two years. The anticipated global economic slowdown is attributed in part to softening international trade as a result of trade disputes and some spillover effects in financial markets.

A global slowdown is expected to somewhat weigh on the overall performance of the EAP region, which is nonetheless seen to continue posting robust growth.

"Despite the slowdown, EAP remains one of the world's fastest growing regions and has been relatively resilient to bouts of financial market volatility. One reason is that most EAP countries (with exception of Pacific Islands) continue to experience growth above the EMDE [Emerging Market and Developing Economies] average," the World Bank said in the report.

In the case of the Philippines, the projected 6.5 percent growth for this year and 6.6 percent in the next two years outpace the average forecasts for EMDE at 4.2 percent for this year, 4.5 percent for next year, and 4.6 percent for 2021.

"Another reason is that policy frameworks across the EAP region have improved over time with the shift to floating exchange rates, economic diversification, and solid buffers," the World Bank said.

The World Bank's forecast of accelerated growth for the Philippines up to 2021 is consistent with projections of faster growth from the Philippine government.

The Philippine government, nonetheless, is more optimistic, setting its GDP growth targets for this year up to 2022 at a range of 7.0 to 8.0 percent.

Philippine economic officials said the accelerated growth will be driven in part by massive infrastructure spending under the "Build, Build, Build" program, and rising private-sector investments amidst an improving business climate.

# JETRO: Japanese firms remain bullish on Philippines

***By Joanna Paula C. Cobarrubias***

**Yasushi Akahoshi**
*JETRO President*

JAPAN EXTERNAL TRADE ORGANIZATION (JETRO) has cited the favorable business environment in the Philippines, saying that Japanese companies operating in the country continue to enjoy high profitability.

During the Philippine Economic Briefing held February 22, 2019 in Osaka, Japan, JETRO President Yasushi Akahoshi reported that a recent survey from the organization showed that more than 76 percent of Japanese firms operating in the Philippines made a profit in 2018.

This puts the Philippines ahead of other ASEAN countries in terms of the percentage of Japanese firms operating profitably, he said.

Akahoshi said many Japanese export-oriented firms have enjoyed a “fast, affordable, young and competent” labor force. He added that incentives rendered to firms by investment promotion agencies like the Philippine Economic Zone Authority (PEZA) has helped made the Philippines a viable investment site.

Japan is the country’s second major trading partner and fourth largest source of foreign direct investments (FDI) in 2018.

The latest JETRO survey showed that 56 percent of surveyed Japanese companies in the Philippines project their profit to increase in 2019 on the back of sales expansion in local and overseas markets, as well as improved efficiency of production or sales.

Akahoshi also commended the Philippine government for its “Build, Build, Build” program, which is the country’s most ambitious infrastructure development agenda to date. To help ensure that funding of the projects does not compromise the government’s fiscal health, the said program is being matched by vital tax reforms.

On a personal note, Akahoshi recalled his return to Manila in 2016 after almost a decade. “I was so much impressed by the developments. Truly… seeing is believing,” he remarked. He added that one thing about Manila that did not change over the years was the “wonderful smile of the people.”



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# Jaime Zobel to Japanese investors: Doing business in Philippines a wise move

SPEAKING BEFORE Japanese investors during the recent Philippine Economic Briefing in Osaka, Japan, Ayala Corporation Chairman and CEO Jaime Augusto Zobel de Ayala told the audience that doing business in the Philippines is a worthwhile move.

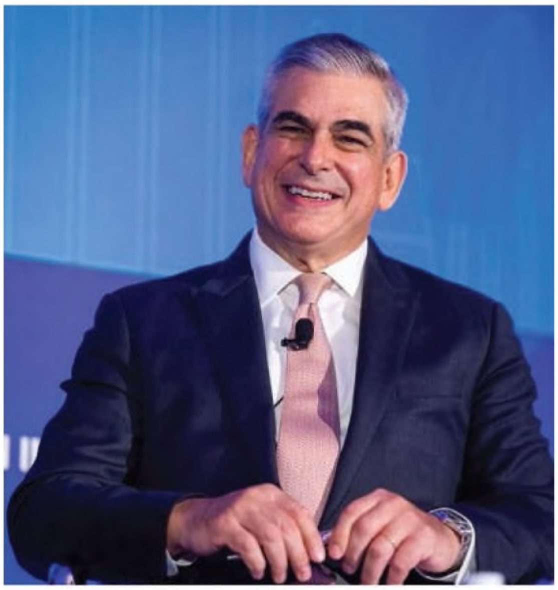
Zobel served as a private-sector resource person during the event, which was led by the Philippines' top economic officials and held February 22, 2019. He said there are many opportunities for Japan and the Philippines to collaborate across a range of different industries.

"Philippines is a great source of both a world class and cost competitive workforce. [The Philippines has] specifically shown capability in the electronic manufacturing side," Zobel said.

Zobel cited Ayala's own experience of collaboration with a Japanese investor, who placed its bet on the Philippines and proved that such was a productive move.

He narrated how the Ayala Group back in the '70s started what has become a 45-year relationship with the Mitsubishi Group. "One of the very first industrial parks in the Philippines was developed together with the Mitsubishi group. Many Japanese manufacturers came and that started a resurgence in the '70s of a strong commitment from Japan to start manufacturing in the Philippines," he said.

On the infrastructure front, Zobel acknowledged the commitment of the Philippine government to address infrastructure gaps. The infrastructure push, he said, will support economic growth moving forward, and this should help attract more investments into the country.



**Jaime Augusto Zobel de Ayala**
*Ayala CEO and Chairman*

Zobel also acknowledged the vital contribution of Japanese investments to the Philippine economy.

"Japan has been one of the biggest sources of FDI and official development assistance (ODA) to the Philippines. Japan accounted for 24 percent of equity to the country and 43 percent of the loans so the relationship between the two countries is very strong," he said.

***By Joanna Paula C. Cobarrubias***



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# BDO prexy cites sound regulations in Philippines

*By Joanna Paula C. Cobarrubias*

**Nestor Tan**
*BDO President*

THE PRESIDENT OF BDO Unibank Inc., the largest bank in the Philippines in terms of assets, has recognized the role of sound regulations in keeping the country's financial system stable.

Referring to the Bangko Sentral ng Pilipinas (BSP) as an "enabler," BDO President and CEO Nestor Tan said that the BSP's policies on financial inclusion have encouraged banks to expand their services to cover the underserved market in a cost-efficient way.

In the case of BDO, he said, it has been expanding its financial services more so in areas outside Metro Manila.

"[BDO's] loan growth reflects a higher percentage outside the Metro Manila. There are more investments in capital expenditures—people expanding their capacity, people expanding their operations and investing in more efficient processes," Tan noted.

Tan was speaking before Japanese investors, who were the audience of the Philippine Economic Briefing held February 22, 2019 in Osaka, Japan. Tan was a private-sector resource person to the event, at which the government's top economic officials presented updates on the Philippine economy before the Japanese audience.

Tan also credited the BSP for managing liquidity in the economy carefully, saying it "has tightened [monetary policy] when necessary, loosened a bit when necessary, while ensuring that we don't go on extremes on both sides."

Likewise, he said the BSP has actively promoted policies that will improve operations and performance of the banking industry, such as through the use of modern technology.

Tan added that the BSP has also called on banks to collaborate with them to beef up cybersecurity safeguards.

# The Investor Relations Office

## of the Bangko Sentral ng Pilipinas

*Promoting excellence in investor relations; telling the Philippines' compelling and dynamic growth story*

**1st row: Justin Parco and Jemie Contad**
**2nd row: Ivy De Hitta, Michelle Remo, Atty. Evie Medina Navarro, and Rica Amador**
**3rd row: Marvin Brabante, Sherelle Perez, Melanie Calumpang, Queen Cave, and Joanna Cobarrubias**

The Investor Relations Office (IRO) of the Bangko Sentral ng Pilipinas (the Central Bank of the Philippines) was created in July 2001 to raise the Philippines' credit profile and promote the country as a viable investment destination.

At the core of its mandate is to communicate before an international audience key messages on the strengths of the Philippine economy, including sound macroeconomic fundamentals, game-changing policy reforms, and sustainable economic growth.

Pursuing the IRO's mandate is a team of professional technical experts and communicators, who develop various communication materials and organize investor relations activities that fulfil the following functions:

- Provide and disseminate timely information on the National Government's key economic and financial policy objectives and performance;
- Arrange channels of active communication and dialogue between the Republic of the Philippines' economic and infrastructure managers, and stakeholders, including:
    - Local and international investors and businesses
    - Credit rating agencies
    - Financial institutions
    - Bilateral and multilateral organizations
    - Members of the diplomatic corps
    - International media
    - The general public

Following the Philippines' success in securing investment-grade status in 2013 and achieving subsequent credit-rating upgrades, the IRO is now leading the Republic's communication campaign to reach "A"-territory credit ratings.

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